A PLAIN-ENGLISH FACT CHECK

THE FED

Who Runs America's Money and How It Works



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What the Federal Reserve Does, Who Runs It, and What the Records Show

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TRINFINITY Enterprises

The Fed

Who Runs America's Money and How It Works

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About This Book

This book explains the Federal Reserve, the central bank of the United States, in plain language. It covers why the country built one in 1913 after a century of arguing about it, how it is set up, what it actually does with interest rates and money, how it handled every major crisis since, where its money comes from and goes, who audits it, and how much the President and Congress can push it around. A full part of the book tests the most common claims people make about the Fed, from every side, and gives each one a verdict backed by sources you can open yourself.

I did not write this book to talk you into loving the Fed or ending it. I wrote it so you can follow the argument, check the facts, and make up your own mind.

Introduction: How to Read This Book

The information in this book stops at November 12, 2026. Anything that happened after that date is not in here. When I say "today" or "now," I mean that date.

Most people hear about the Federal Reserve a few times a year. A news anchor says "the Fed held rates steady" or "the Fed raised rates," the stock market moves, and mortgage rates follow a few weeks later. Then you hear the other side of it. A relative forwards a post saying the Fed is a private bank owned by a handful of families, that it has never been audited, and that it prints money out of thin air. Who is right?

You might ask, "Why should I care?" Here is the simple answer. The Fed sets the short-term interest rate that ripples into your car loan, your credit card, your savings account and the price of a house. It supervises many of the banks that hold your money. It runs part of the plumbing that moves your paycheck from your employer to your bank. And when the economy goes into a ditch, it is usually the first to act. Whether it does that job well matters to every household.

The rules I followed

I held myself to a few rules, and you should hold me to them too.

- **Every fact has a footnote.** The footnote gives the source, who published it, the date, a link and the date I opened it. If a link dies, the title and agency should let you find it again.
- **I keep three kinds of statements apart.** A *confirmed fact* is something a primary source shows. An *interpretation* is someone's reading of the facts, and I name whose. An *unknown* is something the record does not settle, and I say so.
- **If I could not confirm something, I say "[Not verified]"** and tell you what I searched.
- **I quote a person only when I can link to where they said or wrote it.**
- **Dollar amounts are nominal unless I say otherwise.** Nominal means the dollars of that year, not adjusted for inflation. When I adjust for inflation, I name the year.
- **Every side gets the same test.** Presidents of both parties pressured the Fed. Critics on the right and the left have made claims about it. I apply the same standard to all of them: what they actually said and did, favorable or not.

Where the facts come from

Not all sources are equal. I used them in this order:

Tier	What it is	Examples
1. Primary and official	The laws themselves and the Fed's own records	The Federal Reserve Act, Federal Open Market Committee (FOMC) statements and minutes, the Fed's audited financial statements, Government Accountability Office (GAO) audits, court opinions, Federal Reserve History

Tier	What it is	Examples
2. Nonpartisan analysis	Government research offices that serve both parties	Congressional Research Service (CRS), Congressional Budget Office (CBO), GAO, inspectors general
3. Scholarly	Peer-reviewed and university press work	Economic histories and journal articles
4. Fact-checks and journalism	Used only to point back to primary sources	Associated Press, Reuters, PolitiFact, FactCheck.org
5. Advocacy and think tanks	Used only to show what a side argues, and labeled	Groups that want to audit or end the Fed, and groups that defend it

One caution about the Fed's own records. The Fed is a government body describing itself. Its numbers, like its audited financial statements, are checked by an outside accounting firm. Its explanations of why it did what it did are its own side of the story. When I lean on the Fed's description of a policy, I say so, and I bring in critics.

How the verdicts work

Part Six tests the claims people make about the Fed. Each claim gets one of four verdicts:

Verdict	What it means
True	Primary sources confirm it as usually stated.
Partly true	There is a real fact underneath, but the usual version leaves out or twists something important. I say exactly which part is true.
False (debunked)	Primary sources contradict it.
Inconclusive	The evidence is not enough to say either way, or an investigation is still open. I say what would settle it.

I did not decide any verdict before checking the sources. Several claims that critics make turn out to have a real core of truth, and a couple of claims that the Fed's defenders like to make do too.

Five questions to ask about any Fed claim

You will hear claims about the Fed long after you finish this book: on the news, on social media, from a candidate, maybe from your brother-in-law at Thanksgiving. Here are the five questions I asked of every claim in these pages. They work on claims you have never heard before, too.

1. **Which part of the Fed?** "The Fed" can mean the Board in Washington, one of the twelve Reserve Banks, or the FOMC. A claim that is true of one is often false of another. Reserve Banks have stock; the Board does not. That one distinction settles half the "private bank" arguments (Chapter 5).

2. **Which year?** The Fed of 1931 is not the Fed of 1981 or 2026. The law has been rewritten many times. A quote from 1913 or a complaint from 2008 may describe rules that no longer exist, or rules that are tighter now.
3. **What is the number, exactly?** "Sixteen trillion dollars" and "a little over one trillion dollars" both describe the 2008 lending, measured two different ways (Chapter 16). When you see a big number, ask what was added up, over what period, and whether it is money given, money lent, or money lent and paid back.
4. **Who is the source, and what would they gain?** The Fed describing itself is not neutral. Neither is a group raising money to end it. That does not make either one wrong. It means you check their facts against the law and the records, which is what the footnotes in this book let you do.
5. **Is it a fact or a judgment?** "The Fed raised rates in 2022" is a fact. "The Fed waited too long" is a judgment. Both can be fair. Mixing them up is where most arguments go wrong. In this book I try to tell you which is which.

A word about a companion book

This book focuses on the Fed itself: how it was built, what it does, and how it has been tested. A companion book in this series, *Why Everything Costs More: Inflation and the Dollar Explained*, goes deeper into how inflation is measured and the history of the gold standard. When this book touches those subjects, I keep it short and point you there.

Part One: Before the Fed

Chapter 1. A Country That Could Not Agree on a Bank

Most people assume the United States always had some kind of central bank, the way it always had a Treasury and a post office. It did not. For most of its first 137 years, the country argued about whether it should have one at all, and for long stretches it had none. That argument never really ended. Many of the fights you hear about the Fed today, about whether bankers have too much power, whether a few people in the East run the nation's money, and whether Washington should control credit at all, started before anyone alive today was born.

You might ask, "What is a central bank, anyway?" Here is the plain answer. A central bank is the bank that sits behind the other banks. It holds their reserves, lends to them when they are short of cash, and manages the country's money and credit. Ordinary people do not open accounts there. Banks do, and so does the government.

The First Bank of the United States

The first try came from Alexander Hamilton, the first Treasury Secretary. The First Bank of the United States opened for business in Philadelphia on December 12, 1791, with a twenty-year charter.[1] A charter is a license from the government to exist and do business. When the charter came up for renewal in 1811, the House voted against renewal by one vote, and the Senate split in a tie. Vice President George Clinton broke the tie, and the bank's charter ran out.[2]

That was the first lesson. A national bank could live or die on a single vote, because many Americans did not trust one.

The Second Bank and Andrew Jackson

The country tried again after the War of 1812 left its finances in a mess. President James Madison signed an act in April 1816 creating the Second Bank of the United States, and it opened in Philadelphia in January 1817, again with a twenty-year charter.[3] It was bigger than the first one: $35 million in capital compared with $10 million, and as many as twenty-five branches compared with eight (both figures nominal, in the dollars of the time).[4]

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[1] Andrew T. Hill, "The First Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/first-bank-of-the-us, accessed November 12, 2026.

[2] Andrew T. Hill, "The First Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/first-bank-of-the-us, accessed November 12, 2026.

[3] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[4] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

The Second Bank ran straight into President Andrew Jackson. Its supporters asked Congress to renew the charter in January 1832, four years early. The renewal bill passed both houses, but Jackson vetoed it, and supporters could not find the two-thirds majority needed to override him.[5] Among Jackson's stated reasons was his belief that the bank "trampled on states' rights."[6] After he won reelection in 1832, he ordered federal deposits removed from the bank, and most government money was out by late 1833.[7] The bank's federal charter ended in 1836.[8]

The Federal Reserve History essay on the Second Bank gives two end dates, 1836 in its text and 1841 in its header. The bank kept operating for a few years under a Pennsylvania state charter, which likely explains the difference, but the essay does not say so. I use 1836 as the end of its life as a national bank.

Bank	Opened	Charter ended	Why it ended
First Bank of the United States	December 12, 1791	1811	Renewal failed by one vote in the House and a tie-breaking vote in the Senate
Second Bank of the United States	January 1817	1836	President Jackson vetoed renewal in 1832; override failed

Sources: Federal Reserve History essays on the First and Second Banks.[9] [10]

A country without a central bank

For the next quarter century, the United States had no national bank. States chartered banks, and those banks printed their own paper money, called bank notes. A note from a bank far away might be worth less than its face value, or worth nothing if the bank failed.

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[5] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[6] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[7] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[8] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[9] Andrew T. Hill, "The First Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/first-bank-of-the-us, accessed November 12, 2026.

[10] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

The Civil War forced a change. To pay for the war and create a common national currency, Congress passed the National Currency Act on February 25, 1863, and a stronger version on June 3, 1864. Together they are called the National Banking Acts.[11] They created the Office of the Comptroller of the Currency, a federal agency that could charter "national banks."[12] National banks could issue notes backed by U.S. Treasury bonds, and they had to hold reserves: 25 percent for banks in the big reserve cities and 15 percent for "country banks."[13] To push state banks out of the money-printing business, Congress taxed state bank notes, first at 2 percent and then, in 1865, at 10 percent. State bank note circulation fell from $143 million in 1865 to $4 million by 1867 (nominal).[14]

By the end of 1864, 683 banks had federal charters.[15] The country now had a national currency. What it still did not have was anyone whose job was to step in when the whole banking system ran short of cash.

The panics

That gap showed up again and again. Between 1863 and 1913, eight banking panics struck New York City, the country's money center, and three of them, in 1873, 1893 and 1907, spread across the nation.[16]

You might ask, "What is a banking panic?" It is a rush of depositors trying to pull their money out at the same time because they fear their bank will fail. No bank keeps all of its deposits in the vault. It lends most of them out. So if enough people show up at once, even a healthy bank can run out of cash, and fear of one bank spreads to the next.

Panic	What set it off	What happened
1873	Over-investment in railroads; a stock crash in Vienna led Europeans to sell U.S. securities	Jay Cooke and Co. failed on September 18; the New York Stock Exchange closed for the first time and stayed closed ten days; at least

[11] "National Banking Acts of 1863 and 1864," Federal Reserve History, Federal Reserve System (Jason Dunn and David C. Wheelock contributed), published July 31, 2022, https://www.federalreservehistory.org/essays/national-banking-acts, accessed November 12, 2026.

[12] "National Banking Acts of 1863 and 1864," Federal Reserve History, Federal Reserve System (Jason Dunn and David C. Wheelock contributed), published July 31, 2022, https://www.federalreservehistory.org/essays/national-banking-acts, accessed November 12, 2026.

[13] "National Banking Acts of 1863 and 1864," Federal Reserve History, Federal Reserve System (Jason Dunn and David C. Wheelock contributed), published July 31, 2022, https://www.federalreservehistory.org/essays/national-banking-acts, accessed November 12, 2026.

[14] "National Banking Acts of 1863 and 1864," Federal Reserve History, Federal Reserve System (Jason Dunn and David C. Wheelock contributed), published July 31, 2022, https://www.federalreservehistory.org/essays/national-banking-acts, accessed November 12, 2026.

[15] "National Banking Acts of 1863 and 1864," Federal Reserve History, Federal Reserve System (Jason Dunn and David C. Wheelock contributed), published July 31, 2022, https://www.federalreservehistory.org/essays/national-banking-acts, accessed November 12, 2026.

[16] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

Panic	What set it off	What happened
		100 banks failed nationwide
1884	Speculative losses at Marine National Bank and the firm of Grant and Ward; an embezzlement at Second National Bank	The New York Clearing House lent $3 million to Metropolitan National Bank to stop a run
1890	Failure of the brokerage Decker, Howell and Co.	J.P. Morgan organized nine New York banks to aid the Bank of North America
1893	Treasury gold reserves fell to about $100 million; loan defaults rose	More than 100 banks suspended in June and 340 from mid-July to mid-August; estimated unemployment of 17 to 19 percent

Source: Richardson and Sablik, "Banking Panics of the Gilded Age." Dollar figures are nominal.[17]

The same essay explains why these panics kept happening. They tended to hit in the fall, when farmers needed cash to move the harvest and the banking system was under the most strain. And under the national banking rules, "the supply of currency could not respond quickly to an increase in demand."[18] Economists call that an "inelastic currency." In plain terms, when everyone needed cash at once, there was no way to make more of it on short notice.

The only backstop was private. In 1884 and 1890, the New York Clearing House, a group of big banks that settled checks with each other, stopped the spread of panic by pooling its members' reserves.[19] After 1893, reformers made proposals, and Congress "held hearings on these proposals but took no action."[20]

So by the early 1900s, the country had two things at once: a deep distrust of a central bank, and a banking system that kept falling over without one. The next panic would force the issue.

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[17] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

[18] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

[19] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

[20] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

Chapter 2. The Panic of 1907

The Panic of 1907 is the reason the Federal Reserve exists. Its story has a villain-like cast of speculators, a famous banker who saved the day, and a near-collapse that convinced even people who distrusted Wall Street that the country could not keep relying on one rich man to rescue it.

How it started

In October 1907, two speculators, F. Augustus Heinze and Charles W. Morse, tried to corner the stock of a company called United Copper. To "corner" a stock means to buy up so much of it that you control the price. On October 16, the attempt failed and they took huge losses.[21] Depositors at banks tied to Heinze began to worry. The New York Clearing House announced that those banks were solvent, meaning they had more assets than debts, and forced out their managers, including Heinze and Morse.[22]

That might have ended it. But news broke on October 18 that the president of the Knickerbocker Trust Company, Charles T. Barney, was an associate of Morse.[23]

The trust companies

You might ask, "What is a trust company, and why did it matter?" Trust companies were state-chartered firms that competed with banks for deposits. They paid good interest and faced looser rules. The key difference was reserves. Trust companies kept around 5 percent of deposits in reserve, compared with 25 percent for national banks in the big cities.[24] That made them profitable in good times and fragile in bad ones.

On October 21, Knickerbocker asked the Clearing House for help and was turned down. The Clearing House said its resources were reserved for its own member institutions, and Knickerbocker was not a member.[25] J.P. Morgan, the most powerful banker in the country, asked a young banker named Benjamin Strong to look at Knickerbocker's books. Strong could not say for sure whether the trust was solvent, and Morgan declined to help.[26] The

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[21] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[22] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[23] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[24] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[25] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[26] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

next day, October 22, after depositors had pulled out nearly $8 million (nominal), Knickerbocker suspended operations.[27]

Morgan steps in

Panic spread to other trust companies and to the stock market. The annual interest rate on "call money," the short-term loans that brokers used to buy stock, jumped from 9.5 percent to 70 percent on October 22.[28] At that point Morgan changed course and released aid, as did the Clearing House banks.[29] The New York Stock Exchange stayed open "largely because of the legendary actions of Morgan," who collected cash from large financial and industrial firms to lend into the market.[30]

The Federal Reserve History essay on 1907 does not give a total dollar figure for the money Morgan gathered, and I did not find a primary source that does. Popular accounts give various numbers. I leave the total as [Not verified]: I searched the Federal Reserve History essays on the 1907 panic and the Federal Reserve Act and found no total.

On Saturday, October 26, the Clearing House banks did something drastic. They began issuing "clearing house loan certificates," a kind of emergency IOU that banks could use with each other in place of cash, and they restricted depositors' ability to turn their deposits into cash.[31] Between August 22 and December 19, 1907, New York City trust companies lost more than 36 percent of their deposits.[32]

The government played a smaller part than you might expect. The essay on 1907 notes that the Treasury had stepped into several earlier panics, but its main text describes no Treasury rescue in 1907.[33] The Senate's own history of the period says it plainly: "Because the federal government lacked the tools to respond, it had to depend on private bankers, such as J. P. Morgan."[34]

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[27] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[28] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[29] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[30] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[31] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[32] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[33] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[34] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

The damage

The panic passed, but the economy paid. Industrial output fell 17 percent in 1908, and real gross national product (GNP), the total output of the economy adjusted for inflation, fell by 12 percent.[35] The Federal Reserve History essay calls 1907 "the first worldwide financial crisis of the twentieth century."[36] Knickerbocker itself did not reopen until March 1908, after $2.4 million (nominal) in new capital.[37]

What 1907 taught

Here is the lesson that both sides of the old bank debate took from 1907, in plain words. The country had come within days of a full collapse, and it was saved by a private banker who decided, after first saying no, to help. That worried people on both ends. Bankers worried that the system had no reliable lender of last resort. Populists and progressives worried that the country's fate rested in the hands of one Wall Street titan.

Morgan had done this before. In 1895 he helped bail the federal government itself out of a gold crisis, and in 1907 he "organized private sector investments and lines of credit to stabilize the banking system."[38] Whether you see that as public service or as dangerous private power depends a lot on where you stand. Both readings appear in the record, and I think a fair reader can hold both: Morgan's actions helped end the panic, and the fact that the country needed him is exactly what pushed Congress to act.

There is one more lesson in 1907 that is worth learning now, because it runs through the rest of this book. A bank can be in trouble in two very different ways. It can be short of cash today, even though its loans and investments are sound and will pay off in time. Or it can be broke, with assets worth less than what it owes. The first kind of bank needs a loan to get through the week. The second kind needs someone to absorb a loss, and a loan only delays the reckoning. In a panic, it is very hard to tell the two apart, and that is exactly why central banks get into fights about who they should help. You will see that question again in 1931, in 2008 with Lehman Brothers, and in 2023 with Silicon Valley Bank.

The Panic of 1907, in the words of the Federal Reserve History essay, "spurred the monetary reform movement that led to the establishment of the Federal Reserve System."[39]

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[35] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[36] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[37] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[38] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[39] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

Chapter 3. Jekyll Island and the Federal Reserve Act of 1913

If you have heard one story about the Fed's origins, it is probably this one: a group of powerful bankers met in secret on an island off Georgia and wrote the plan for the Federal Reserve. That story is mostly true. It is also incomplete in ways that matter. This chapter tells the whole thing, and in Part Six I test the claim directly.

Congress studies the problem

Congress's first response to 1907 was a stopgap. The Aldrich-Vreeland Act, passed on May 30, 1908, allowed emergency currency in a crisis and created an eighteen-member National Monetary Commission, chaired by Senator Nelson Aldrich of Rhode Island, to study banking and recommend reforms.[40] [41] Aldrich was a Republican and one of the most powerful men in the Senate. He hired advisers, including Henry Davison, a partner at J.P. Morgan, and A. Piatt Andrew, an economist.[42]

The meeting

In November 1910, six men met at the Jekyll Island Club, a private resort off the coast of Georgia. The Federal Reserve History essay dates the meeting from November 20 to November 30, 1910, and names the six: Nelson Aldrich; A. Piatt Andrew, by then an assistant Treasury secretary; Henry Davison of J.P. Morgan; Arthur Shelton, Aldrich's private secretary; Frank Vanderlip, president of National City Bank; and Paul Warburg, a banker.[43]

Some accounts add a seventh man, Benjamin Strong. Vanderlip's autobiography recalls Strong being there, but the essay notes that "no other account indicates Strong's presence" and calls his attendance unlikely.[44]

Was it secret? Yes, and the record is clear on that. "The meeting and its purpose were closely guarded secrets," the essay says.[45] The men traveled under the cover story of a duck hunting

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[40] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[41] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

[42] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[43] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[44] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

trip, came one at a time to a train in New Jersey, and used only first names. They called themselves the "First Name Club."[46] Vanderlip later wrote, "We had disappeared from the world onto a deserted island."[47]

Why the secrecy? The essay gives the reason plainly: "Aldrich knew their ties to Wall Street could arouse suspicion about their motives and threaten the bill's political passage."[48] The Kansas City Fed's essay on the Federal Reserve Act says the same thing in different words: they did not think the public would welcome a plan written in part by bankers.[49]

The secret did not last forever. The journalist B.C. Forbes first revealed the meeting in an article in 1916, and the participants denied it for about twenty years, until a 1930 biography of Aldrich.[50]

The Aldrich Plan

What came out of Jekyll Island was a plan for a "Reserve Association of America," a single central bank with fifteen branches across the country.[51] Aldrich presented it to the Monetary Commission in January 1911 without telling the commission members how the plan had

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[45] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[46] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[47] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[48] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[49] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[50] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[51] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

been developed.[52] [53] In the commission's final report it was renamed the National Reserve Association.[54]

The plan went nowhere as written. The Senate's history describes it as "a system that would be run by private bankers who would act as federal agents," and says progressives "adamantly opposed what they called a surrender to the 'Money Trust' and blocked its passage."[55] The Democrats made rejecting the Aldrich Plan part of their party platform.[56]

Wilson, Glass and Owen

The 1912 election changed everything. Democrats won the White House and both houses of Congress.[57] President Woodrow Wilson wanted banking reform, but not Aldrich's version. He "felt the plan needed an oversight agency" and "favored a central board" of public appointees.[58]

Two Democrats led the work. Representative Carter Glass of Virginia chaired the House Banking and Currency Committee, and Senator Robert L. Owen of Oklahoma chaired the new Senate Banking and Currency Committee.[59] [60] Glass favored a system of regional banks,

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[52] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[53] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[54] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[55] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[56] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[57] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[58] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[59] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[60] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

as many as twenty of them. Owen's version capped the number at twelve, and "Owen's bill prevailed."[61] The final law allowed between eight and twelve regional Reserve Banks, overseen by a board "made up entirely of presidential appointees."[62] A Federal Advisory Council of twelve bankers, one elected by each regional bank, would advise the Board but not run it.[63]

So how much of the final law came from Jekyll Island? Here, the sources point two ways, and I want to show you both.

- The Federal Reserve History essay says "the technical details of the final bill closely resembled those of the Aldrich Plan."[64]
- The same essay says the major differences were "the political and decision-making structures," a compromise "acceptable to both the progressive and populist wings of the Democratic Party."[65]

In plain words: the plumbing looked a lot like the bankers' plan, but who controlled the plumbing changed. Aldrich wanted a central bank run largely by bankers. Wilson's law put a public board appointed by the President in charge and spread the operating banks across the country. The argument over who deserves credit started right away. The economist E.R.A. Seligman wrote in 1914 that the Federal Reserve Act was "the work of Mr. Warburg more than of any other man," while Carter Glass's 1927 memoir claimed the work for himself and his allies.[66] That is an interpretation fight, not a fact fight, and I leave it to you.

The vote and the signing

The House passed its bill in September 1913, and the Senate debated its version that fall.[67] Senate Democrats made the bill a "party question," which under their caucus rules bound

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[61] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[62] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[63] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[64] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[65] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[66] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[67] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

every Democrat to support it.[68] A conference committee worked out the differences, and the House accepted the final version on December 22.[69]

On December 23, 1913, the Senate adopted the conference report by a vote of 43 to 25. Every Democrat present voted yes, and all but four Republicans voted no. Twenty-seven senators were "paired" or did not vote.[70] (A "pair" is an agreement between two senators on opposite sides that neither will vote, so their absence cancels out.) The Senate's own history adds that most senators "immediately rushed to Union Station to catch trains home for the holidays," while the sponsors went to the White House, where President Wilson signed the act at 6:00 p.m. that evening.[71] [72]

I did not find the exact House vote count on the final conference report in a primary source I could open. I mark it [Not verified]. I searched the Federal Reserve History essays and the Senate's history page, and the House roll call was not in either.

One detail from the Senate's page: it lists Owen's middle initial as "D." The correct name is Robert Latham Owen, and the Federal Reserve History essays call him Robert L. Owen.[73] I use "L."

What the law created

The Act did not create a single central bank in one building, the way Aldrich wanted. It created a system: up to twelve regional Federal Reserve Banks, owned in a narrow legal sense by the member banks in each region (Chapter 5 explains what that ownership does and does not mean), and a Federal Reserve Board in Washington appointed by the

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[68] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[69] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[70] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[71] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[72] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[73] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

President.[74] The original law told an organizing committee to pick "not less than eight nor more than twelve cities" for the Reserve Banks.[75] President Wilson signed it on December 23, 1913. Governors at first served ten-year terms; the fourteen-year terms came later.[76] [77]

That structure was a compromise between three groups that distrusted each other: bankers who wanted a lender of last resort they could rely on, populists who feared Wall Street, and Wilson, who wanted public control. Every one of the Fed's later fights about who really runs it goes back to that compromise.

The first fifteen years

The new system barely had time to set up before it was tested. World War I began in Europe in the summer of 1914, and "the start of the war triggered a brief financial panic and a gold outflow from the United States."[78] Then the flow reversed. Gold poured in as Europe bought American goods, and in those years the amount of money in the country was tied to gold. "The Fed lacked the resources to offset the gold inflow; consequently, the nation's money stock rose and inflation followed."[79]

After the war came the Fed's first big policy mistake, or at least its first big argument. "A modest gold outflow and rising inflation prompted the Fed to increase its discount rate sharply in 1920. The price level then began to fall and the US economy entered a recession."[80] The Fed had shown it could slow the economy. It had not yet learned how hard to press.

The most important discovery of those years came almost by accident. Reserve Banks bought and sold government bonds to earn income, and "by the early 1920s, Strong and

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[74] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[75] Federal Reserve Act, Section 2, "Federal Reserve Districts," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section2.htm, accessed November 12, 2026.

[76] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[77] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[78] David C. Wheelock, "The Fed's Formative Years," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/feds-formative-years, accessed November 12, 2026.

[79] David C. Wheelock, "The Fed's Formative Years," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/feds-formative-years, accessed November 12, 2026.

[80] David C. Wheelock, "The Fed's Formative Years," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/feds-formative-years, accessed November 12, 2026.

other Fed officials had discovered that these operations influenced market interest rates."[81] That is the seed of the tool the Fed still uses today (Chapter 6). "In 1923 the Open Market Investment Committee was established, with Strong as chair."[82] The man was Benjamin Strong, head of the New York Fed from 1914 to 1928, the same banker who had examined the books of a failing trust company in 1907.[83] [84] Strong died in 1928. A year later the stock market crashed, and the Fed faced its greatest test without its strongest leader. That story starts Part Three.

Part One source notes

Sources used in Part One: Federal Reserve History essays on the First and Second Banks of the United States, the National Banking Acts, the Gilded Age panics, the Panic of 1907, the Jekyll Island meeting and the signing of the Federal Reserve Act; the U.S. Senate Historical Office's page on the Senate's passage of the Act; and Section 2 of the Federal Reserve Act; the Federal Reserve History essay on the Fed's formative years, 1913 to 1929.

[Not verified]: the total dollar amount Morgan gathered in October 1907; the House vote count on the final conference report in December 1913.

Where sources disagree: the Second Bank's end date (1836 in the essay's text, 1841 in its header; I used 1836 for its national charter); whether Benjamin Strong attended Jekyll Island (Vanderlip said yes, the essay says no other account confirms it; I report both); Owen's middle initial (the Senate page says "D," other sources say "L"; I used "L"); A. Piatt Andrew is called "Abram Piatt Andrew" in one essay and "A. Piatt Andrew" in another, which are the same man.

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[81] David C. Wheelock, "The Fed's Formative Years," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/feds-formative-years, accessed November 12, 2026.

[82] David C. Wheelock, "The Fed's Formative Years," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/feds-formative-years, accessed November 12, 2026.

[83] David C. Wheelock, "The Fed's Formative Years," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/feds-formative-years, accessed November 12, 2026.

[84] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

Part Two: How the Fed Is Built and What It Does

Chapter 4. The Board, the Twelve Banks and the FOMC

People say "the Fed" as if it were one building with one boss. It is really three pieces that work together, and knowing which piece does what clears up a lot of confusion. The Fed itself describes the System this way: a Board of Governors in Washington, twelve regional Reserve Banks with twenty-four branches, and the Federal Open Market Committee, or FOMC.[85]

The Board of Governors

The Board is the part of the Fed that is plainly part of the federal government. It is a federal agency in Washington, D.C.

The law sets it up like this:

- **Seven members**, "appointed by the President, by and with the advice and consent of the Senate."[86]
- **Fourteen-year terms**, staggered so that one term ends on January 31 of every even-numbered year.[87] [88] A governor who serves a full fourteen-year term cannot be reappointed.[89]
- **No more than one governor from any one Federal Reserve district**, and at least one with primary experience in community banking.[90]
- **Removal only "for cause."** A governor serves fourteen years "unless sooner removed for cause by the President."[91] Chapter 17 covers what that phrase means and how the Supreme Court handled it in 2026.

From those seven, the President picks a Chair, a Vice Chair and a Vice Chair for Supervision. Each serves a four-year term in that leadership role and can be reappointed.[92] [93] The Vice

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[85] Board of Governors of the Federal Reserve System, "The Fed Explained - Who We Are," https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-system.htm, accessed November 12, 2026.

[86] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[87] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[88] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[89] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[90] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[91] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[92] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

Chair for Supervision was added by a law of July 21, 2010.[94] Those leaders also need Senate confirmation for the leadership job, a rule added in 1977.[95]

You might ask, "What happens to a governor's term when the Chair job ends?" The Board's own page answers it: "A member's term on the Board is not affected by his or her status as Chairman or Vice Chair."[96] That is why Jerome Powell could step down as Chair on May 22, 2026, and still be listed as a governor afterward. His governor term runs to January 31, 2028.[97] [98]

The twelve Reserve Banks

The Reserve Banks are the operating arms of the System. The Fed's own description: "The 12 Reserve Banks - and their 24 Branches - are the operating arms of the Federal Reserve System."[99] Each serves one of twelve districts. They supervise banks in their region, lend to banks through the "discount window," process payments, distribute currency, and do economic research.

The twelve Reserve Banks are in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco. The Fed numbers its districts in that order, 1 through 12, which is why you will see a number and a letter on the front of older bills.[100] All twelve banks opened for business on November 16, 1914, "just seven months after the locations were selected."[101] The districts have barely changed since. The San Francisco district is the largest by area and covers Alaska and Hawaii too.[102] If you live in Nevada, as I do, your Reserve Bank is San Francisco.

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[93] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[94] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[95] Joy Zhu, "Federal Reserve Reform Act of 1977," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/fed-reform-act-of-1977, accessed November 12, 2026.

[96] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[97] Board of Governors of the Federal Reserve System, "Jerome H. Powell," biography, last updated May 22, 2026, https://www.federalreserve.gov/aboutthefed/bios/board/powell.htm, accessed November 12, 2026.

[98] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[99] Board of Governors of the Federal Reserve System, "The Fed Explained - Who We Are," https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-system.htm, accessed November 12, 2026.

[100] Board of Governors of the Federal Reserve System, "Federal Reserve Banks," last updated April 24, 2017, https://www.federalreserve.gov/aboutthefed/federal-reserve-system.htm, accessed November 12, 2026.

[101] Sandra Kollen Ghizoni, "Reserve Banks Open for Business," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/reserve-banks-open, accessed November 12, 2026.

[102] Board of Governors of the Federal Reserve System, "Federal Reserve Banks," last updated April 24, 2017, https://www.federalreserve.gov/aboutthefed/federal-reserve-system.htm, accessed November 12, 2026.

Each Reserve Bank has a board of nine directors serving staggered three-year terms, in three classes:[103] [104]

Class	How many	Who they are	Who picks them
A	3	"Chosen by and be representative of the stockholding banks"	Elected by member banks
B	3	Represent the public	Elected by member banks
C	3	Represent the public	Appointed by the Board of Governors

Sources: Federal Reserve Act, Section 4; *The Fed Explained*, pages 4 and 9 to 10.[105] [106]

The Board picks the chair and deputy chair of each Reserve Bank's board from among the Class C directors.[107] Each Reserve Bank's president is chosen by the Class B and Class C directors, with the Board's approval, for a five-year term.[108] [109] Notice who is left out of picking the president: the Class A directors, the bankers. The law was changed to that wording by an act of July 21, 2010.[110]

The Federal Open Market Committee

The FOMC is the group that sets interest rate policy. When the news says "the Fed raised rates," it means the FOMC voted.

The FOMC has twelve voting members: the seven governors, the president of the New York Fed, and four of the other eleven Reserve Bank presidents, who rotate in for one-year terms.[111] The New York president always votes because the New York Fed carries out the

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[103] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[104] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[105] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[106] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[107] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[108] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[109] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[110] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[111] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

FOMC's trades in the markets. By tradition, the FOMC elects the Board Chair as its chair and the New York Fed president as vice chair.[112]

The law requires the FOMC to meet at least four times a year.[113] In practice it meets eight times a year.[114] [115] All twelve presidents attend and speak, but only the five with a vote that year actually vote.

So who has the most say? Count the votes. Governors, all appointed by the President and confirmed by the Senate, hold seven of the twelve. Reserve Bank presidents, chosen by their regional boards with Board approval, hold five. That balance is part of why both sides of the "who runs the Fed" debate can find something to point to.

Putting it together

Piece	What it is	Who appoints it	Main job
Board of Governors	Federal agency in Washington	President, with Senate consent	Supervision rules, discount rate approval, reserve and payment policy, seven FOMC votes
12 Reserve Banks	Regional operating banks	Directors chosen by member banks and the Board	Lending to banks, supervision, payments, cash, research
FOMC	Committee of governors and Reserve Bank presidents	Members by position	Sets the federal funds rate target and runs open market operations

[112] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[113] Federal Reserve Act, Section 12A, "Federal Open Market Committee," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section12a.htm, accessed November 12, 2026.

[114] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[115] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

Chapter 5. Who Owns the Fed?

You might ask, "Who owns the Fed?" The answer has two parts, and here is what the law says.

Part one: the Board is not owned by anyone

The Board of Governors is a federal government agency. It has no stock and no shareholders. Its members are appointed by the President and confirmed by the Senate, as Chapter 4 explained.[116] [117]

Part two: Reserve Bank stock

The twelve Reserve Banks are a different legal animal. Each one issues stock, and every bank that joins the Federal Reserve System, called a "member bank," must buy it. That is where the "owned by banks" claim comes from, and it has a real basis.

Here is what the law requires and what that stock comes with:

- **Buying it is required, not chosen.** A member bank must subscribe for stock "equal to 6 per centum of the paid-up capital stock and surplus" of the bank, with half paid in and half "subject to call" by the Board.[118] The Fed's FAQ puts it this way: "ownership of a certain amount of stock is, by law, a condition of membership in the System."[119]
- **It cannot be sold or used as collateral.** The law says the stock "shall not be transferred or hypothecated."[120] Hypothecated means pledged as security for a loan.
- **The dividend is capped by law.** Member banks with $10 billion or less in assets get a 6 percent annual dividend on their paid-in stock. Larger banks get the smaller of 6 percent or the yield on the 10-year Treasury note at its most recent auction.[121] [122]

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[116] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[117] Board of Governors of the Federal Reserve System, "Who owns the Federal Reserve?" FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_14986.htm, accessed November 12, 2026.

[118] Federal Reserve Act, Section 5, "Stock Issues; Increase and Decrease of Capital," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section5.htm, accessed November 12, 2026.

[119] Board of Governors of the Federal Reserve System, "Who owns the Federal Reserve?" FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_14986.htm, accessed November 12, 2026.

[120] Federal Reserve Act, Section 5, "Stock Issues; Increase and Decrease of Capital," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section5.htm, accessed November 12, 2026.

[121] Federal Reserve Act, Section 7, "Division of Earnings," Board of Governors of the Federal Reserve System, last updated January 17, 2023, https://www.federalreserve.gov/aboutthefed/section7.htm, accessed November 12, 2026.

[122] 12 U.S.C. 289, "Dividends and surplus funds of reserve banks," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/289, accessed November 12, 2026.

That cap was added on December 4, 2015, and the $10 billion line is adjusted each year for inflation.[123] [124]

- **It gives a vote for some directors, not control of policy.** Member banks elect the Class A and Class B directors of their Reserve Bank, as Chapter 4 showed, but they have no vote on interest rates, and Class A directors do not help pick the Reserve Bank president.[125] [126]

The Fed's own FAQ says, "owning Reserve Bank stock is quite different from owning stock in a private company."[127] That is the Fed describing itself, so weigh it accordingly. But you can check the claim against the law, and the law backs it up on the points above.

Here is how Reserve Bank stock compares with ordinary stock:

Feature	Ordinary company stock	Reserve Bank stock
Can you choose to buy it?	Yes	No. Required for member banks, at a set amount
Can you sell it?	Yes	No. "Shall not be transferred or hypothecated"
Dividend	Whatever the board decides	Fixed by law: 6 percent or less
Share of profits	Yes, after dividends	No. Profits above the dividend and capital limits go to the U.S. Treasury (Chapter 15)
Vote on policy	Yes, through the board	No vote on monetary policy

Sources: Federal Reserve Act Sections 4, 5 and 7; Fed FAQ "Who owns the Federal Reserve?"[128] [129] [130] [131]

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[123] Federal Reserve Act, Section 7, "Division of Earnings," Board of Governors of the Federal Reserve System, last updated January 17, 2023, https://www.federalreserve.gov/aboutthefed/section7.htm, accessed November 12, 2026.

[124] 12 U.S.C. 289, "Dividends and surplus funds of reserve banks," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/289, accessed November 12, 2026.

[125] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[126] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[127] Board of Governors of the Federal Reserve System, "Who owns the Federal Reserve?" FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_14986.htm, accessed November 12, 2026.

[128] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[129] Federal Reserve Act, Section 5, "Stock Issues; Increase and Decrease of Capital," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section5.htm, accessed November 12, 2026.

[130] Federal Reserve Act, Section 7, "Division of Earnings," Board of Governors of the Federal Reserve System, last updated January 17, 2023, https://www.federalreserve.gov/aboutthefed/section7.htm, accessed November 12, 2026.

A simple way to picture it

Here is a picture I find helpful. Think of a big franchise company, the kind with a head office and stores across the country. The head office, the Board, sets the rules and is run by people the President appoints and the Senate confirms. The regional stores, the Reserve Banks, have local boards and local staff, and member banks in each region have bought into them, the way local owners buy into a franchise.

Now here is where the picture breaks down, and the breakdown is the important part. A franchise owner can sell the store, vote on company policy, and keep the profits. A member bank can do none of those things with its Reserve Bank stock. It cannot sell the stock, the stock carries no say over monetary policy, the dividend is capped by law, and the profits beyond that go to the Treasury (Chapter 15). So the franchise picture shows you the shape of the Fed, but not who actually controls it. Congress does, through the law, and the President does, through appointments.

So is it public or private?

The honest answer is that it is a mix, built that way on purpose in 1913. The Board is a federal agency. The Reserve Banks have private-company features, such as stock, boards of directors and their own employees who are not civil servants, but they operate under a federal law, carry out federal policy, and hand their profits to the government. In Part Six, I test the claim "The Fed is a private company owned by banks" against that record.

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[131] Board of Governors of the Federal Reserve System, "Who owns the Federal Reserve?" FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_14986.htm, accessed November 12, 2026.

Chapter 6. Interest Rates and the Money Supply

This is the chapter about what the Fed actually does to the economy. It is also where most of the confusion lives, so I am going to go slowly.

The job Congress gave it

Congress wrote the Fed's goal into the law in 1977. Section 2A of the Federal Reserve Act tells the Board and the FOMC to manage money and credit "so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates."[132] People usually call this the "dual mandate," meaning jobs and prices, because moderate long-term interest rates tend to follow when prices are stable. The phrase "dual mandate" did not come into common use until 1995.[133]

What counts as "stable prices"? In 2012 the FOMC said for the first time that inflation of 2 percent a year is "most consistent over the longer run with the Federal Reserve's statutory mandate."[134] It has kept that goal since. In 2020, it added that it would aim for inflation that "averages 2 percent over time," allowing inflation to run "moderately above 2 percent for some time" after periods when it ran low.[135] On August 22, 2025, it released a revised strategy statement after a new review; the 2 percent goal itself "was not a focus of the review."[136] [137] The Committee also said it intends to review its strategy regularly, about every five years.[138]

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[132] Federal Reserve Act, Section 2A, "Monetary policy objectives," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section2a.htm, accessed November 12, 2026.

[133] Aaron Steelman, "Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins)," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/humphrey-hawkins-act, accessed November 12, 2026.

[134] Aaron Steelman, "Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins)," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/humphrey-hawkins-act, accessed November 12, 2026.

[135] Board of Governors of the Federal Reserve System, "FOMC announces approval of updates to its Statement on Longer-Run Goals and Monetary Policy Strategy," press release, August 27, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm, accessed November 12, 2026.

[136] Board of Governors of the Federal Reserve System, "Review of Monetary Policy Strategy, Tools, and Communications: 2025 Review," last updated August 22, 2025, https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications.htm, accessed November 12, 2026.

[137] Board of Governors of the Federal Reserve System, "Review of Monetary Policy Strategy, Tools, and Communications," last updated August 22, 2025, https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-2025.htm, accessed November 12, 2026.

[138] Board of Governors of the Federal Reserve System, "Review of Monetary Policy Strategy, Tools, and Communications," last updated August 22, 2025, https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-2025.htm, accessed November 12, 2026.

The federal funds rate

The main tool is a single interest rate. The federal funds rate is the rate banks charge each other for overnight loans of the money they keep at the Fed. The FOMC sets a target range for it, a quarter percentage point wide. As of the information date of this book, the target range was 3-3/4 to 4 percent, set on September 16-17, 2026 and held on October 28, 2026.[139] [140]

You might ask, "Why does a rate between banks matter to me?" Because it is the floor that other short-term rates are built on. When it goes up, banks pay more to borrow, and that tends to push up rates on credit cards, car loans, adjustable mortgages and business loans. It also tends to push up what banks pay on savings. When it goes down, the reverse tends to happen. Long-term rates, like a 30-year mortgage, are set by markets and do not move one-for-one with the Fed, but they are influenced by where people expect the Fed to go.

How the Fed moves the rate

The Fed does not order banks to charge a certain rate. It sets the rates it pays and charges, and the market rate follows. The Fed lists its main tools:[141]

Tool	What it is, in plain words
Interest on reserve balances	The rate the Fed pays banks on money they keep at the Fed. A bank will rarely lend to another bank for less than it can earn from the Fed. Congress authorized it in 2006, effective October 1, 2008.[142] On October 28, 2026 this rate was 3.90 percent.
Overnight reverse repurchase agreements	The Fed borrows overnight from money market funds and others, putting a floor under rates for firms that are not banks. Offering rate 3.75 percent.
Standing repurchase agreements	The Fed lends overnight against Treasury securities, putting a ceiling on rates. Minimum rate 4.0 percent.
Discount window	Loans from Reserve Banks to banks. The "primary credit rate" was 4.0 percent.
Open market operations	Buying and selling Treasury securities to manage the amount of reserves in the system.

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[139] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[140] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[141] Board of Governors of the Federal Reserve System, "Policy Tools," last updated December 15, 2025, https://www.federalreserve.gov/monetarypolicy/policytools.htm, accessed November 12, 2026.

[142] 12 U.S.C. 461, "Reserve requirements," including paragraph (b)(12), "Earnings on balances," and the effective-date note for Pub. L. 109-351 as amended by Pub. L. 110-343, Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/461, accessed November 12, 2026.

Tool	What it is, in plain words
Reserve requirements	Rules on how much banks must hold in reserve. The Board cut them "to zero percent effective March 26, 2020," which "eliminated reserve requirements for all depository institutions."[143] The Fed still has the power to bring them back.

Rates in the table are from the Implementation Note of October 28, 2026.[144] [145]

The first tool is the one that matters most today, and it surprises people, so let me give you the Fed's own words: "The interest rate on reserve balances (IORB rate) is determined by the Board and is an important tool for the Federal Reserve's conduct of monetary policy."[146] Here is the logic. Banks hold trillions of dollars in reserves at the Fed. If the Fed pays 3.90 percent on that money, no bank wants to lend its spare cash to another bank overnight for much less. So by moving the rate it pays, the Fed moves the market rate. Before 2008, the Fed steered rates by changing how many reserves were in the system. Now it steers them mostly by changing what it pays on them. Economists call this an "ample reserves" system.

The discount window is worth a closer look too, because it is the oldest tool. The Fed says it "allows depository institutions and U.S. branches and agencies of foreign banks to borrow from Federal Reserve Banks after executing legal agreements and pledging collateral."[147] The main program, primary credit, is for banks "in generally sound financial condition," and its loans run "on an overnight basis or for a period up to 90 days." Since March 2020, the primary credit rate has been set at the top of the FOMC's target range for the federal funds rate.[148] There are also smaller programs, called secondary credit and seasonal credit (the seasonal one helps small farm-town and resort banks whose deposits swing with the seasons).[149]

What "printing money" actually means

Now for the phrase everyone uses. When people say "the Fed is printing money," they usually mean one of three different things, and only one of them involves a printing press.

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[143] Board of Governors of the Federal Reserve System, "Reserve Requirements," https://www.federalreserve.gov/monetarypolicy/reservereq.htm, accessed November 12, 2026.

[144] Board of Governors of the Federal Reserve System, "Implementation Note issued October 28, 2026," https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a1.htm, accessed November 12, 2026.

[145] Board of Governors of the Federal Reserve System, "Policy Tools," last updated December 15, 2025, https://www.federalreserve.gov/monetarypolicy/policytools.htm, accessed November 12, 2026.

[146] Board of Governors of the Federal Reserve System, "Interest on Reserve Balances," https://www.federalreserve.gov/monetarypolicy/reserve-balances.htm, accessed November 12, 2026.

[147] Board of Governors of the Federal Reserve System, "Discount Window," last updated May 20, 2024, https://www.federalreserve.gov/monetarypolicy/discountrate.htm, accessed November 12, 2026.

[148] Board of Governors of the Federal Reserve System, "Discount Window," last updated May 20, 2024, https://www.federalreserve.gov/monetarypolicy/discountrate.htm, accessed November 12, 2026.

[149] Board of Governors of the Federal Reserve System, "Discount Window," last updated May 20, 2024, https://www.federalreserve.gov/monetarypolicy/discountrate.htm, accessed November 12, 2026.

1. Paper money. Federal Reserve notes, the bills in your wallet, are issued "at the discretion of the Board of Governors" and are "obligations of the United States."[150] The law has the Secretary of the Treasury engrave the plates and print the notes.[151] The Fed calls the Treasury's Bureau of Engraving and Printing its partner in this work.[152] Each year the Board decides how many new bills it needs and sends an order to the Bureau. For calendar year 2026, the order ranged "from 3.8 billion to 5.1 billion notes, valued at $108.9 billion to $139.6 billion."[153] On July 13, 2026, the Board submitted its 2027 order: 4.8 billion to 5.7 billion notes, valued at $132.1 billion to $166.4 billion.[154] Most of those notes replace worn-out bills; the rest meet growing demand for cash. (The Fed's pages label the same orders both "calendar year" and "fiscal year." I used the calendar-year wording in the text.) Banks get cash from the Fed when their customers want it, and pay for it out of their reserve accounts. So new paper money does not appear out of nowhere and get handed to the government. It replaces money banks already had on deposit at the Fed.

2. Bank reserves. When the Fed buys a Treasury bond from a bank or dealer, it pays by adding money to that bank's reserve account at the Fed. Those reserves did not exist before. This is the real sense in which the Fed "creates money": it creates reserves, electronically, when it buys assets. This is what happened on a huge scale in 2008 to 2014 and again in 2020 to 2022, often called "quantitative easing" or QE (Chapters 13 and 14).

3. Paying the government's bills. This is what people usually fear, and it is not how the law lets the system work. Section 14 of the Federal Reserve Act says the Fed may buy and sell Treasury securities "only in the open market."[155] That means it buys them from banks and dealers who already own them, not directly from the Treasury. The Treasury pays its bills from taxes and from borrowing from the public. The Fed's purchases do make it easier and cheaper for the Treasury to borrow, which is a fair criticism, and I test that claim in Part Six.

You might ask, "If the Fed creates reserves, isn't that inflation?" Not automatically. Reserves are money banks hold at the Fed. They affect prices only if they lead to more lending and spending than the economy can produce. After 2008, reserves grew enormously and inflation stayed low for years. After 2020, they grew enormously again and inflation rose

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[150] Federal Reserve Act, Section 16, "Note Issues," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section16.htm, accessed November 12, 2026.

[151] Federal Reserve Act, Section 16, "Note Issues," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section16.htm, accessed November 12, 2026.

[152] Board of Governors of the Federal Reserve System, "Currency," https://www.federalreserve.gov/aboutthefed/currency.htm, accessed November 12, 2026.

[153] Board of Governors of the Federal Reserve System, "2026 Federal Reserve Note Print Order," last updated September 3, 2026, https://www.federalreserve.gov/paymentsystems/2026_currency_print_order.htm, accessed November 12, 2026.

[154] Board of Governors of the Federal Reserve System, "Currency Print Orders," last updated September 3, 2026, https://www.federalreserve.gov/paymentsystems/coin_currency_orders.htm, accessed November 12, 2026.

[155] 12 U.S.C. 355, "Purchase and sale of obligations of National, State, and municipal governments" (Federal Reserve Act Section 14), Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/355, accessed November 12, 2026.

sharply. Economists still argue about why the results were so different, and the companion book on inflation goes deeper.

How a rate change reaches you

You might ask, "The Fed sets a rate banks charge each other overnight. What does that have to do with me?" More than you might think, though not all at once and not by the same amount.

Start with the overnight rate. When the Fed raises it, banks' own cost of short-term money goes up. Rates that are tied to short-term rates tend to move quickly. Many credit cards and home equity lines of credit have variable rates that follow short-term rates up and down, so a rate increase can show up on those bills within a month or two. On the other side of the ledger, savings accounts, money market funds and certificates of deposit tend to pay more after the Fed raises rates, though banks are often slower to raise what they pay savers than what they charge borrowers.

Longer-term rates are different. A thirty-year fixed mortgage rate is not set by the Fed. It moves with the market for long-term bonds, and that market is guessing where the Fed will be over many years, not just next month. That is why mortgage rates sometimes rise before the Fed acts, when investors expect increases, and sometimes fall even while the Fed is raising rates, if investors expect a slowdown. The Fed's bond buying (QE) and bond shrinking affect long-term rates more directly, because they change how many long-term bonds are left for everyone else to buy.

Then come the slower effects. Higher borrowing costs mean fewer people buy houses and cars on credit, businesses put off some investments, and over a year or two, spending cools. If spending cools enough, hiring slows and price increases ease. That is the whole point of raising rates when inflation is high, and it is also why it hurts: the tool works partly by making some people lose work or not get hired. Lowering rates runs the same chain in reverse.

Economists often say policy works with "long and variable lags." In plain words, the Fed is steering a big ship. It turns the wheel now and finds out months later how far the ship actually turned. Keep that in mind when you read the 2021 to 2026 history in Chapter 14. Some of the arguments about whether the Fed moved too late or too far are really arguments about how long those lags are.

The size of the balance sheet

The Fed's "balance sheet" is the list of what it owns (mostly Treasury bonds and mortgage-backed securities) and what it owes (mostly bank reserves and paper currency). On November 4, 2026, the Fed held about $6.46 trillion in securities outright.[156] At the end of

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[156] Board of Governors of the Federal Reserve System, "Factors Affecting Reserve Balances - H.4.1," release of November 5, 2026, https://www.federalreserve.gov/releases/h41/current/default.htm, accessed November 12, 2026.

2025, the Reserve Banks' combined total assets were about $6.88 trillion.[157] Those figures are nominal dollars.

[157] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

Chapter 7. Bank Supervisor, Payment System and Lender of Last Resort

Interest rates get the headlines, but they are only one of the Fed's jobs. The Fed itself says it "performs five key functions in the public interest."[158] In plain words, they are:

1. Setting monetary policy to promote maximum employment and stable prices.
2. Promoting the stability of the financial system as a whole.
3. Supervising and regulating individual banks for safety and soundness.
4. Running and overseeing payment and settlement systems.
5. Consumer protection and community development.

Source: *The Fed Explained*, page 1.[159]

Bank supervisor

The Fed shares bank supervision with other agencies. The Fed's own list of who it supervises: "bank holding companies, state member banks, savings and loan holding companies, foreign bank offices in the U.S., and foreign branches and operations of U.S. banks."[160] It also says that, depending on how a bank is set up, "it may be supervised and regulated by an agency other than the Federal Reserve, such as the Federal Deposit Insurance Corporation or the Office of the Comptroller of the Currency."[161] In general, national banks (the ones with "National" or "N.A." in their names) answer mainly to the Office of the Comptroller of the Currency (OCC), and state banks that are not Fed members answer mainly to the Federal Deposit Insurance Corporation (FDIC) and their state.[162] Supervisors examine banks' books and check that they hold enough capital to absorb losses.

The best-known part of this job is the yearly "stress test." The Fed takes the biggest banks and runs their numbers through a made-up severe recession to see if they would still have enough capital. The June 2026 results covered 32 banks. The Fed reported that "all 32 banks tested remained above their minimum common equity tier 1 capital requirements" in the hypothetical recession, and that "despite absorbing more than $708 billion in total

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[158] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[159] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

[160] Board of Governors of the Federal Reserve System, "The Fed Explained: Supervision and Regulation," https://www.federalreserve.gov/aboutthefed/fedexplained/supervision-regulation.htm, accessed November 12, 2026.

[161] Board of Governors of the Federal Reserve System, "The Fed Explained: Supervision and Regulation," https://www.federalreserve.gov/aboutthefed/fedexplained/supervision-regulation.htm, accessed November 12, 2026.

[162] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

losses," their capital "declined only 1.6 percentage points in aggregate."[163] In the Fed's projection, the banks' combined capital ratio fell from 12.8 percent to a low of 11.2 percent.[164] Remember that these are what-if numbers, not predictions. Critics on one side say the tests are too easy on the banks, and critics on the other say they force banks to hold more capital than they need, which means less lending. The test itself is a fact; whether it is set at the right level is a judgment call.

Consumer protection and communities

The fifth job on the Fed's list gets the least attention. One example is the Community Reinvestment Act. Enacted in 1977, it "requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs" of the communities where they do business, including low- and moderate-income neighborhoods.[165] The Fed examines the state member banks it supervises and rates their record, and it considers that record when a bank asks to merge or open branches.[166] Critics on one side say the law pushes banks into risky loans; critics on the other say the ratings are too easy, since almost every bank passes. I did not find a primary source that settles that debate, so I leave it as a debate.

Payments

The Fed runs part of the plumbing that moves money. When your employer's bank pays your bank, the money often moves through accounts at the Reserve Banks. The Fed operates the Fedwire system for large payments and the automated clearinghouse used for direct deposits. On July 20, 2023, it launched the FedNow Service, which lets banks offer instant payments any time of day.[167]

Lender of last resort

This is the job that 1907 was all about. When a healthy bank is short of cash, it can borrow from its Reserve Bank at the "discount window," putting up collateral. That keeps a cash shortage at one bank from turning into a run.

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[163] Board of Governors of the Federal Reserve System, "Federal Reserve Board's annual bank stress test confirms that large banks are well positioned to weather a severe recession and able to continue to lend to households and businesses," press release, June 24, 2026 (last updated July 2, 2026), https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260624a.htm, accessed November 12, 2026.

[164] Board of Governors of the Federal Reserve System, "2026 Federal Reserve Stress Test Results - June 2026: Results for Banks under the Severely Adverse Scenario," https://www.federalreserve.gov/publications/2026-june-dodd-frank-act-stress-test-results.htm, accessed November 12, 2026.

[165] Board of Governors of the Federal Reserve System, "Community Reinvestment Act (CRA)," last updated March 28, 2024, https://www.federalreserve.gov/consumerscommunities/cra_about.htm, accessed November 12, 2026.

[166] Board of Governors of the Federal Reserve System, "Community Reinvestment Act (CRA)," last updated March 28, 2024, https://www.federalreserve.gov/consumerscommunities/cra_about.htm, accessed November 12, 2026.

[167] Board of Governors of the Federal Reserve System, "FedNow Service," last updated July 20, 2023, https://www.federalreserve.gov/paymentsystems/fednow_about.htm, accessed November 12, 2026.

In a broad crisis, the Fed has a stronger power, found in Section 13, paragraph 3 of the Federal Reserve Act. "In unusual and exigent circumstances," the Board may authorize lending to firms that are not banks, by the vote of at least five governors.[168] The Fed used this power heavily in 2008. Congress then narrowed it in the Dodd-Frank Act of 2010. Today the law says:[169] [170]

- Emergency lending must be through a "program or facility with broad-based eligibility," not a rescue of one company.
- It must be "for the purpose of providing liquidity to the financial system, and not to aid a failing financial company."
- Borrowers that are insolvent may not borrow.
- The Board needs "the prior approval of the Secretary of the Treasury."
- The Board must report to Congress within 7 days of authorizing a loan, with updates every 30 days.

That last group of rules is a direct answer to the bailouts of 2008, which Chapter 13 covers.

Part Two source notes

Sources used in Part Two: the Federal Reserve Act, Sections 2, 2A, 4, 5, 7, 10, 12A, 13 and 16, as published by the Board; the Board's pages "The Fed Explained - Who We Are," "Who owns the Federal Reserve?", "Policy Tools," "FedNow Service," "Currency" and "Board Members"; *The Fed Explained*, 11th edition (2021); the October 28, 2026 FOMC statement and Implementation Note; the H.4.1 release of November 5, 2026; the 2025 combined financial statements; Federal Reserve History essays on the 1977 Reform Act and Humphrey-Hawkins; the Federal Reserve History essay on the opening of the Reserve Banks; the Board's pages on the Reserve Banks, interest on reserve balances, the discount window, reserve requirements, supervision and regulation, the Community Reinvestment Act, currency print orders for 2026 and 2027, and the 2025 strategy review; the June 2026 stress test results and press release.

[Not verified]: none in this part beyond what is noted in the text.

Where sources disagree: the law requires FOMC meetings at least four times a year, while the Fed's publications say eight; both are true (the law sets a minimum). The dividend cap for large banks is often credited to the FAST Act of 2015; the law text I read shows the December 4, 2015 date, which is the FAST Act's date, but does not name the act, so I give the date only.

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[168] Federal Reserve Act, Section 13, "Powers of Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section13.htm, accessed November 12, 2026.

[169] Federal Reserve Act, Section 13, "Powers of Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section13.htm, accessed November 12, 2026.

[170] Keith Goodwin, "Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/dodd-frank-act, accessed November 12, 2026.

Part Three: The Fed's History, Era by Era

This part walks through the Fed's biggest tests, in order. For each era I give what happened, what the Fed did, and then the case against the Fed and the case for it, each in its own words and with sources. I keep my own verdict out of it until Part Six, where specific claims get tested.

Chapter 8. The Great Depression

The Fed was barely fifteen years old when it faced the worst economic collapse in American history. How it handled that collapse is still the biggest black mark on its record, and the Fed itself says so.

What happened

The Great Depression began in August 1929 and hit bottom in March 1933, when the commercial banking system collapsed and President Franklin Roosevelt declared a national banking holiday.[171] The stock market crash came in the middle of that slide. On "Black Monday," October 28, 1929, the Dow Jones Industrial Average fell nearly 13 percent, and the next day it fell nearly 12 percent more. By mid-November it had lost almost half its value.[172] It kept falling. The Dow peaked at 381.17 on September 3, 1929, bottomed at 41.22 on July 8, 1932, 89 percent below its peak, and did not return to its pre-crash high until November 1954.[173]

The banking system did worse. In his 2002 speech honoring Milton Friedman, then-Governor Ben Bernanke said that "during the Depression decade, something close to half of all U.S. commercial banks either failed or merged with other banks," with 522 commercial banks closing in October 1931 alone.[174] From the fall of 1930 through the winter of 1933, the money supply fell by nearly 30 percent, and average prices fell by about the same amount.[175] Falling prices made debts harder to pay, since people owed the same number of dollars but earned fewer of them, and that pushed more borrowers and banks into bankruptcy.[176]

The economy did not fully recover until World War II, and there was a second downturn in 1937.[177]

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[171] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[172] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[173] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[174] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[175] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[176] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[177] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

The Banking Act of 1933

Congress answered the banking collapse with two big laws, one in 1933 and one in 1935 (Chapter 9). On June 16, 1933, President Roosevelt signed the Banking Act of 1933, which most people know by the names of its sponsors, Glass-Steagall.[178] Yes, that is the same Carter Glass who wrote the Federal Reserve Act twenty years earlier.

Here is what it did, in plain words:

- **Split banking in two.** "The main provisions of the Banking Act of 1933 effectively separated commercial banking from investment banking." Banks that took deposits could no longer underwrite or deal in stocks and bonds.[179]
- **Created the FDIC.** The Federal Deposit Insurance Corporation "insures bank deposits with a pool of money collected from banks." Coverage started at $2,500 in January 1934 and rose to $5,000 that July. Today it is $250,000.[180]
- **Capped interest on deposits.** The act banned interest on checking accounts and let the Fed set ceilings on interest for other deposits. That rule became known as Regulation Q. The ban on interest for checking was lifted by the Dodd-Frank Act, beginning July 21, 2011.[181]
- **Created the first FOMC.** The 1933 act set up a Federal Open Market Committee, though the Board did not yet vote on it. The 1935 act and 1942 amendments turned it into a committee that "closely resemble[s] the modern FOMC."[182]

Deposit insurance may be the most important change of all for ordinary people. Before 1934, if your bank failed, you could lose your savings. Since then, insured depositors have been protected. That one change ended the old-fashioned bank run for most families. (Large deposits above the insurance limit are another story, as Silicon Valley Bank showed in 2023; see Chapter 14.)

What the Fed did, and did not do

The Federal Reserve History essay on the Depression, published by the Fed itself, lists the Fed's mistakes plainly:

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[178] Julia Maues, "Banking Act of 1933 (Glass-Steagall)," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/glass-steagall-act, accessed November 12, 2026.

[179] Julia Maues, "Banking Act of 1933 (Glass-Steagall)," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/glass-steagall-act, accessed November 12, 2026.

[180] Julia Maues, "Banking Act of 1933 (Glass-Steagall)," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/glass-steagall-act, accessed November 12, 2026.

[181] Julia Maues, "Banking Act of 1933 (Glass-Steagall)," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/glass-steagall-act, accessed November 12, 2026.

[182] Julia Maues, "Banking Act of 1933 (Glass-Steagall)," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/glass-steagall-act, accessed November 12, 2026.

- The Fed raised interest rates in 1928 and 1929 to cool stock speculation, which slowed the economy.[183] The New York Fed's discount rate reached 6 percent in August 1929.[184]
- Its "most serious sin of omission" was its "failure to stem the decline in the supply of money."[185]
- It failed to act as lender of last resort during the banking panics of 1930 to 1933.[186]

Why? Part of the answer was ideas. Some Fed leaders held to what the essay calls a "liquidationist" view: that a downturn should be allowed to clear out bad investments, and that the central bank should not prop things up. The essay names Treasury Secretary Andrew Mellon as an advocate of that approach.[187] Other Fed officials favored the opposite, the old rule from the British writer Walter Bagehot that a central bank should lend freely in a panic.[188] The liquidationists mostly won.

The gold standard mattered too. Under the gold standard, a country's money was tied to a fixed amount of gold. When the Fed tightened, it pulled gold toward the United States and forced other central banks to raise their own rates, spreading the squeeze around the world.[189] Bernanke noted that countries on the gold standard "were forced to match the contractionary monetary policies," and that Britain left gold in September 1931.[190] The details of the gold standard, and of Roosevelt's 1933 and 1934 gold actions, are covered in the companion book on inflation and the dollar.

The banking panics up close

It helps to see how the panics actually unfolded, because they explain why the Fed's later lending powers look the way they do. When the crises began, "over 8,000 commercial banks

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[183] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[184] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[185] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[186] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[187] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[188] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[189] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[190] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

belonged to the Federal Reserve System, but nearly 16,000 did not."[191] In other words, two out of three banks were outside the system the Fed was built to protect.

The first wave hit in November 1930, when a Nashville banking empire called Caldwell and Company collapsed and its affiliated banks failed across the South. On December 11, 1930, the Bank of United States in New York City closed.[192] Then a new crisis broke out in Chicago in June 1931.[193]

Here is the part I find most telling. The Fed's regional banks did not all respond the same way. The Atlanta Fed sped up its lending to banks in trouble. The St. Louis Fed "refused to assist nonmember institutions."[194] Economists have since compared the two districts, and the comparison is one reason most of them now believe the Fed could have done much more. Each Reserve Bank made its own call, and there was no strong center to make them act together. That is exactly what the 1935 law (Chapter 9) changed.

The 1937 mistake

There is a second chapter to the Depression that people often forget. The economy recovered from 1933 to 1937, and then it fell into another deep recession that "lasted from May 1937 until June 1938." Real output fell 10 percent and unemployment reached 20 percent.[195]

The Fed had a hand in it. Banks were sitting on a lot of extra reserves: "excess reserves swelled from $859 million in December 1933 to over $3.3 billion in December 1935."[196] Fed officials worried that all that idle money could fuel an "injurious credit expansion," so starting in 1936 they doubled the share of deposits banks had to hold as reserves.[197] At the same time, the Treasury started setting aside incoming gold so it would not add to the

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[191] Gary Richardson, "Banking Panics of 1930-31," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/banking-panics-1930-31, accessed November 12, 2026.

[192] Gary Richardson, "Banking Panics of 1930-31," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/banking-panics-1930-31, accessed November 12, 2026.

[193] Gary Richardson, "Banking Panics of 1930-31," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/banking-panics-1930-31, accessed November 12, 2026.

[194] Gary Richardson, "Banking Panics of 1930-31," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/banking-panics-1930-31, accessed November 12, 2026.

[195] Patricia Waiwood, "Recession of 1937-38," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/recession-of-1937-38, accessed November 12, 2026.

[196] Patricia Waiwood, "Recession of 1937-38," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/recession-of-1937-38, accessed November 12, 2026.

[197] Patricia Waiwood, "Recession of 1937-38," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/recession-of-1937-38, accessed November 12, 2026.

money supply. The essay notes "an ongoing debate about which policy played the greater contractionary role," the Fed's or the Treasury's.[198] The recession ended after the Fed rolled back the requirements, the Treasury stopped holding back gold, and the government increased spending.[199]

Why does 1937 matter today? Because in 2014 to 2022 the Fed again had trillions of dollars in excess reserves in the system, and the question of how fast to pull them back was very much on officials' minds. The 1937 story is the warning label.

The critics' case: Friedman and Schwartz

The most famous indictment of the Fed came in 1963, when the economists Milton Friedman and Anna Schwartz published *A Monetary History of the United States*. Their argument, as Bernanke summed it up, was that "the economic collapse of 1929-33 was the product of the nation's monetary mechanism gone wrong."[200] In their own words, quoted by Bernanke, the collapse was "a tragic testimonial to the importance of monetary forces."[201] Bank failures and withdrawals "greatly reduced the quantity of bank deposits," and the Fed let it happen.[202]

The Federal Reserve History essay on the crash says "consensus coalesced" around Friedman and Schwartz's account after 1963.[203] That is the Fed's own history site agreeing with its sharpest critics.

The Fed's own answer

The most famous line in this whole debate came from the Fed. At the end of his 2002 speech at the University of Chicago, Bernanke, who later chaired the Fed, said this to Friedman and Schwartz:

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[198] Patricia Waiwood, "Recession of 1937-38," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/recession-of-1937-38, accessed November 12, 2026.

[199] Patricia Waiwood, "Recession of 1937-38," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/recession-of-1937-38, accessed November 12, 2026.

[200] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[201] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[202] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[203] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

"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."[204]

Other explanations

Not every economist puts all the blame on the Fed. The Federal Reserve History essay on the crash cites the economist Christina Romer for the point that fear and uncertainty after the crash cut spending on big purchases, and cites Allan Meltzer for the view that the crash was a symptom, not a cause.[205] Bernanke's own research argued that bank failures did damage beyond shrinking the money supply, by destroying the relationships banks had with borrowers, which made credit hard to get even for sound businesses.[206] Others stress the gold standard, which tied the Fed's hands. These views do not clear the Fed. They add other causes alongside it.

Here is the debate in short form:

View	Who holds it	What it says
The Fed's failures were the main cause	Friedman and Schwartz (1963); accepted by the Fed's own history site and by Bernanke in 2002	The Fed let the money supply collapse and failed to stop bank runs
The Fed made it worse, but other forces mattered too	Romer; Meltzer; Bernanke's own credit research; gold standard historians	Spending fell for other reasons; bank failures hurt credit; the gold standard spread the damage
The Fed should not have propped things up	The 1930s "liquidationists"	Downturns should clear out bad investments. Few economists defend this view of the 1930s today.

Sources: Federal Reserve History essays on the crash and the Depression; Bernanke, November 8, 2002.[207] [208] [209]

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[204] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[205] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[206] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[207] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[208] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

Chapter 9. Eccles, War Finance and the 1951 Accord

The Depression convinced Congress that the 1913 design did not work. Power was too scattered among the regional banks, and nobody was clearly in charge. The fix came in 1935, and its main author was a Utah banker named Marriner Eccles.

Marriner Eccles

The man at the center of the 1935 rewrite was Marriner Eccles, a banker from Utah. President Roosevelt appointed him "to lead the Federal Reserve Board on November 15, 1934."[210] He resigned as Chair on January 31, 1948, but stayed on as a governor until July 14, 1951, long enough to play a key role in the fight with Truman described below.[211] The Fed's headquarters building in Washington is named for him.

The Banking Act of 1935

Eccles moved from the Treasury to become governor of the Federal Reserve Board in November 1934, and the first draft of the Fed's part of the new law was prepared under his direction.[212] President Roosevelt signed the Banking Act of 1935 on August 23, 1935.[213] Here is what it changed:

- It "shifted power from the regional reserve banks to the Board based in Washington, DC," and renamed it the Board of Governors of the Federal Reserve System.[214]
- It gave the FOMC its modern form: the seven governors plus five Reserve Bank presidents.[215]
- It removed the Treasury Secretary and the Comptroller of the Currency from the Board, effective after 1936.[216]

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[209] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[210] "Marriner S. Eccles," Federal Reserve History, Federal Reserve System, updated October 14, 2025, https://www.federalreservehistory.org/people/marriner-s-eccles, accessed November 12, 2026.

[211] "Marriner S. Eccles," Federal Reserve History, Federal Reserve System, updated October 14, 2025, https://www.federalreservehistory.org/people/marriner-s-eccles, accessed November 12, 2026.

[212] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[213] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[214] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[215] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[216] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

- It set governors' terms at fourteen years.[217]
- It made the Federal Deposit Insurance Corporation (FDIC) permanent.[218]

One detail matters for the independence debate later in this book. The first version of the bill "would have enabled the president to control the actions of the central bank." The Senate took that out.[219] So the independence the Fed has today was a choice Congress made on purpose in 1935, not an accident of 1913.

Eccles chaired the Board until 1948. The Federal Reserve History essays give his start date as November 15, 1934 in one place and 1936 in another; the difference comes from the Board's change of name and structure under the 1935 Act.[220] The headquarters building in Washington is named after him.

Paying for World War II

During World War II, the Fed took orders, in practice, from the Treasury. In April 1942, at the Treasury's request, the Fed agreed to hold short-term Treasury bill rates at 3/8 of a percent and effectively capped long-term Treasury bond rates at 2.5 percent.[221] That kept the government's borrowing costs low while it financed the war. Eccles had preferred to pay for the war with higher taxes and price controls, but he and the FOMC went along.[222]

The cost showed up after the war. Inflation measured by the Consumer Price Index (CPI) was 17.6 percent from June 1946 to June 1947, and 9.5 percent the following year.[223] When the Korean War started in June 1950, inflation surged again, reaching an annualized rate of 21 percent by February 1951.[224] The Fed wanted to raise rates to fight it. The Treasury wanted rates kept low. The President sided with the Treasury.

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[217] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[218] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[219] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[220] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[221] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[222] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[223] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[224] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

The fight with Truman

President Harry Truman invited the whole FOMC to the White House, and afterward a statement was released saying the committee had pledged its support for keeping rates low. The Federal Reserve History essay says "in fact the FOMC had made no such pledge."[225] Eccles then released the FOMC's own account of the meeting, without checking with the rest of the committee. In his memoir he wrote, "The fat was in the fire."[226]

The Fed told the Treasury that as of February 19, 1951, it would no longer hold rates at the old levels.[227] With the Treasury Secretary in the hospital, a Treasury official named William McChesney Martin Jr. negotiated a compromise with Fed staff.[228] On March 4, 1951, the Treasury and the Fed announced they had "reached full accord with respect to debt management and monetary policies."[229] That deal, the Treasury-Fed Accord, freed the Fed from keeping the government's borrowing costs low. The essay calls it the step that "laid the foundation for the modern Federal Reserve."[230]

William McChesney Martin

One month after the Accord, Truman appointed Martin, the Treasury man, as Fed Chair.[231] Truman may have expected a loyal ally. According to the economist Robert Hetzel, Martin instead "asserted the independence of the Fed," and Truman later called him a "traitor" when they passed on the street. That story comes from Hetzel's account and its sources, and I could not confirm it in a primary document.[232]

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[225] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[226] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[227] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[228] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[229] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[230] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[231] "William McChesney Martin Jr.," Federal Reserve History, Federal Reserve System, people profile, https://www.federalreservehistory.org/people/william-mcchesney-martin-jr, accessed November 12, 2026.

[232] Robert L. Hetzel, "From the Treasury-Fed Accord to the Mid-1960s," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treas-fed-accord-to-mid1960s, accessed November 12, 2026.

Martin served as Chair from 1951 to 1970, longer than anyone else.[233] In 1965 he clashed with President Lyndon Johnson by raising the discount rate over the President's objections.[234] Popular accounts describe Johnson confronting Martin at his Texas ranch afterward. I did not find that meeting in the Federal Reserve History pages I checked, so I mark the ranch detail [Not verified].

[233] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[234] "William McChesney Martin Jr.," Federal Reserve History, Federal Reserve System, people profile, https://www.federalreservehistory.org/people/william-mcchesney-martin-jr, accessed November 12, 2026.

Chapter 10. The Great Inflation

If the Depression is the Fed's worst failure of too little money, the 1970s are its worst failure of too much. The Federal Reserve History essay calls the period from 1965 to 1982 "the Great Inflation."[235]

What happened

In 1964, inflation was a little more than 1 percent a year, and unemployment was 5 percent.[236] By 1980 inflation passed 14 percent.[237] (Different Fed essays give different peaks for 1980: "more than 14 percent," "close to 15 percent" for the CPI, "more than 13 percent," and 11.6 percent. They are measuring different things or different months. The CPI peak was close to 15 percent in March 1980, according to the Great Inflation essay's chart.[238] [239] [240])

Oil shocks made it worse. The Arab oil embargo began in October 1973 and crude prices quadrupled; a second shock in 1979 tripled the cost of oil.[241] But the Federal Reserve History essay is direct about the root cause: "The origins of the Great Inflation were policies that allowed for an excessive growth in the supply of money."[242]

Arthur Burns and the pressure from Nixon

Arthur Burns chaired the Fed from January 31, 1970, to March 8, 1978, over "two consecutive terms." He "was counselor to the president before becoming chairman," and his Fed profile says policymakers "responded too slowly" as inflation built, with the administration's wage and price controls holding inflation down artificially for a while.[243] [244]

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[235] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[236] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[237] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[238] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[239] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[240] Aaron Steelman, "Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins)," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/humphrey-hawkins-act, accessed November 12, 2026.

[241] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[242] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[243] "Arthur F. Burns," Federal Reserve History, Federal Reserve System, people profile, https://www.federalreservehistory.org/people/arthur-f-burns, accessed November 12, 2026.

His tenure is where the inflation took hold. According to the Great Inflation essay, Burns would later say that "full employment was the first priority in the minds of the public and the government."[245] In other words, keeping people working mattered more, politically, than keeping prices down.

There is a well-known story that President Richard Nixon pressured Burns to keep money easy before the 1972 election. Tape recordings from the Nixon White House have been cited by historians for that claim. I did not find those recordings or a primary transcript in the sources I could open, and the Federal Reserve History essays I checked do not describe the pressure. I mark it [Not verified] here, and I note that it is widely reported by scholars. What I can confirm from the Fed's history pages: in the summer of 1971, Nixon stopped foreign central banks from exchanging dollars for gold, and his administration imposed wage and price controls in three phases from 1971 to 1974.[246] The gold side of that story is in the companion book on inflation.

President Gerald Ford's answer was a public campaign called "Whip Inflation Now," which the essay calls "a failure."[247] G. William Miller then chaired the Fed "from March 8, 1978, to August 6, 1979," during "a period of slow growth and high inflation," before he was "appointed secretary of the Treasury, where he served until January 20, 1981."[248] [249] He had earlier been a director of the Boston Fed.[250]

Congress writes the mandate

Congress responded by writing goals into the law. The Federal Reserve Reform Act of 1977, signed by President Carter in November 1977, added the instruction to "promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates."[251]

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[244] "Arthur F. Burns," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/arthur-f-burns, accessed November 12, 2026.

[245] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[246] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[247] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[248] "G. William Miller," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/g-william-miller, accessed November 12, 2026.

[249] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[250] "G. William Miller," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/g-william-miller, accessed November 12, 2026.

[251] Joy Zhu, "Federal Reserve Reform Act of 1977," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/fed-reform-act-of-1977, accessed November 12, 2026.

[252] It also required Senate confirmation of the Chair and Vice Chair and twice-yearly testimony to Congress.[253]

The next year, the Full Employment and Balanced Growth Act, signed October 27, 1978, and known by its sponsors' names as Humphrey-Hawkins, set national targets: unemployment no higher than 3 percent for adults 20 and older, inflation of 3 percent or less, and eventually zero inflation by 1988.[254] Those targets were never met. The law's reporting requirements expired in 2000, but the Fed still sends its Monetary Policy Report to Congress twice a year.[255]

The two sides

View	What it says
Critics of the Fed	The Fed created the inflation by letting money grow too fast and bowing to political pressure for jobs. The Fed's own history essay agrees on the cause.
Defenders and other explanations	Oil shocks, war spending, and the end of the gold link in 1971 made the job far harder; economists at the time misjudged how low unemployment could go without raising inflation.

Both sides agree on one thing: by the late 1970s, people expected inflation to keep rising, and breaking that expectation would be painful. That job fell to Paul Volcker.

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[252] Federal Reserve Act, Section 2A, "Monetary policy objectives," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section2a.htm, accessed November 12, 2026.

[253] Joy Zhu, "Federal Reserve Reform Act of 1977," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/fed-reform-act-of-1977, accessed November 12, 2026.

[254] Aaron Steelman, "Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins)," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/humphrey-hawkins-act, accessed November 12, 2026.

[255] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

Chapter 11. The Volcker Shock

Paul Volcker had been president of the New York Fed since 1975. "President Jimmy Carter shuffled his economic policy team and nominated Volcker to become chairman," and he took office on August 6, 1979.[256] He was reappointed in 1983 and served until August 11, 1987.[257]

A Saturday night announcement

Paul Volcker became Fed Chair in August 1979. When he took office, year-over-year inflation was running above 11 percent and unemployment was just under 6 percent.[258] He was picked, in large part, for his views against inflation.[259]

On the evening of Saturday, October 6, 1979, Volcker held a rare press conference to announce the results of an unscheduled FOMC meeting held earlier that day. The Fed would "shift its focus to managing the volume of bank reserves in the system."[260] In plain words, it would stop trying to hold interest rates at a set level and instead control how much money it supplied, and let interest rates go wherever that took them.

Where it took them was up. The federal funds rate reached a record high of 20 percent in late 1980.[261]

The 1980 law that changed banking

While the Fed fought inflation, Congress rewrote the rules for every bank in the country. On March 31, 1980, President Jimmy Carter signed the Depository Institutions Deregulation and Monetary Control Act.[262] It is a mouthful, so here is what it did:

- **Reserve rules for everyone.** Before 1980, only banks that joined the Fed had to keep reserves with it, and many banks were quitting the Fed to avoid the cost. The

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[256] "Paul A. Volcker," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/paul-a-volcker, accessed November 12, 2026.

[257] "Paul A. Volcker," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/paul-a-volcker, accessed November 12, 2026.

[258] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[259] Tim Sablik, "Recession of 1981-82," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/recession-of-1981-82, accessed November 12, 2026.

[260] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[261] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[262] Kenneth J. Robinson, "Depository Institutions Deregulation and Monetary Control Act of 1980," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/monetary-control-act-of-1980, accessed November 12, 2026.

new law "required all institutions that accepted deposits ('depository institutions') to meet reserve requirements," phased in over eight years for nonmembers. In return, any institution holding reserves could borrow at the discount window.[263]

- **Fees for Fed services.** The Fed had to start "charging fees for certain services it provided," set high enough to cover all its costs.[264] That is where the fee income in Chapter 15 comes from.
- **The end of interest caps.** The law "phased out restrictions on interest rates that depository institutions could offer on their deposits," a phase-out that lasted six years. At the time, savings accounts were capped at 5.25 percent while inflation ran far higher.[265]
- **More deposit insurance.** Coverage rose from $40,000 to $100,000.[266]

Think about what that 5.25 percent cap meant. With prices rising 12 or 13 percent a year, a family's savings account lost buying power every year by law. Lifting the cap helped savers, but it also raised costs for savings and loans, which had lent long-term at low fixed rates. That squeeze is one of the roots of the savings and loan failures later in the 1980s.

The cost

The economy paid heavily. A short recession hit in 1980, worsened by a credit-control program the Carter administration started that March.[267] Then a deeper one ran from July 1981 to November 1982.[268] [269] Unemployment peaked at 10.8 percent in late 1982.[270] Farmers drove tractors to Washington in protest, and homebuilders mailed the Fed pieces of lumber, according to many accounts; I could not confirm those protests in the sources I opened and mark them [Not verified].

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[263] Kenneth J. Robinson, "Depository Institutions Deregulation and Monetary Control Act of 1980," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/monetary-control-act-of-1980, accessed November 12, 2026.

[264] Kenneth J. Robinson, "Depository Institutions Deregulation and Monetary Control Act of 1980," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/monetary-control-act-of-1980, accessed November 12, 2026.

[265] Kenneth J. Robinson, "Depository Institutions Deregulation and Monetary Control Act of 1980," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/monetary-control-act-of-1980, accessed November 12, 2026.

[266] Kenneth J. Robinson, "Depository Institutions Deregulation and Monetary Control Act of 1980," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/monetary-control-act-of-1980, accessed November 12, 2026.

[267] Tim Sablik, "Recession of 1981-82," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/recession-of-1981-82, accessed November 12, 2026.

[268] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[269] Tim Sablik, "Recession of 1981-82," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/recession-of-1981-82, accessed November 12, 2026.

[270] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

The pressure was political too. In 1981, Treasury Secretary Donald Regan, under President Ronald Reagan, "directly criticized the Fed's position."[271]

The result

Inflation broke. It fell to 6.1 percent in early 1982 and 3.7 percent the year after.[272] By the end of the recession, year-over-year inflation was under 5 percent.[273] The Fed let the federal funds rate fall back to about 9 percent, and unemployment dropped to 8 percent a year later.[274] The Federal Reserve History essay says the Fed "re-established credibility for low inflation."[275]

	When Volcker took office (Aug. 1979)	Peak of the fight	A year after the 1982 recession ended
Inflation	Above 11 percent	Near 15 percent (CPI, March 1980)	3.7 percent
Federal funds rate	(not given in source)	20 percent (late 1980)	About 9 percent
Unemployment	Just under 6 percent	10.8 percent (late 1982)	About 8 percent

Sources: Federal Reserve History essays on the Great Inflation, Volcker's announcement and the 1981-82 recession.[276] [277] [278]

The two sides

Volcker is now widely praised, but the question remains whether the price was worth it, and whether it had to be that high.

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[271] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[272] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[273] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[274] Tim Sablik, "Recession of 1981-82," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/recession-of-1981-82, accessed November 12, 2026.

[275] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[276] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[277] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[278] Tim Sablik, "Recession of 1981-82," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/recession-of-1981-82, accessed November 12, 2026.

- **The case for Volcker:** inflation expectations were so entrenched that only a hard shock could break them, and the low inflation of the next forty years rested on that credibility.[279]
- **The case against, or for a gentler path:** two recessions and double-digit unemployment fell hardest on workers, farmers, homebuilders and indebted countries abroad, and some economists argue a steadier approach could have worked at lower cost. The Fed's own essays note the sharp recessions but do not resolve that question.[280]

[279] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[280] Tim Sablik, "Recession of 1981-82," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/recession-of-1981-82, accessed November 12, 2026.

Chapter 12. Greenspan's Long Calm

Alan Greenspan chaired the Fed from 1987 to 2006, through five presidents' terms. For most of that time he was the most admired central banker in the world. Since 2008, his record has been argued over hard.

Greenspan took office "on August 11, 1987, to fill an unexpired term as a member of the Board of Governors," and his last term ended January 31, 2006. He "was appointed chairman by four different presidents."[281] Before the Fed, he chaired the President's Council of Economic Advisers under Gerald Ford.[282] The Fed announced his death on June 22, 2026, noting "his 18 years as Chairman."[283] (He died on Monday, June 22, 2026, at age 100, from complications of Parkinson's disease, according to the Associated Press.[284])

The 1987 crash

Greenspan was barely two months into the job when the stock market crashed. On "Black Monday," October 19, 1987, the Dow fell 22.6 percent in one day, "the largest one-day stock market decline in history."[285] The next morning, October 20, the Fed issued a one-sentence statement: "The Federal Reserve, consistent with its responsibilities as the Nation's central bank, affirmed today its readiness to serve as a source of liquidity to support the economic and financial system."[286] Behind the scenes, it encouraged banks to keep lending on their usual terms.[287]

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[281] "Alan Greenspan," Federal Reserve History, Federal Reserve System, updated June 22, 2026, https://www.federalreservehistory.org/people/alan-greenspan, accessed November 12, 2026.

[282] "Alan Greenspan," Federal Reserve History, Federal Reserve System, updated June 22, 2026, https://www.federalreservehistory.org/people/alan-greenspan, accessed November 12, 2026.

[283] Board of Governors of the Federal Reserve System, "Federal Reserve notes with deep sadness the passing of Alan Greenspan," press release, June 22, 2026, https://www.federalreserve.gov/newsevents/pressreleases/other20260622a.htm, accessed November 12, 2026.

[284] Associated Press, "Former Federal Reserve Chairman Alan Greenspan dies at 100," with contributions from AP Economics Writers Christopher Rugaber and Martin Crutsinger, June 22, 2026, as published by WTOP, https://wtop.com/national/2026/06/former-federal-reserve-chairman-alan-greenspan-dies-at-100/, accessed November 12, 2026.

[285] Donald Bernhardt and Marshall Eckblad, "Stock Market Crash of 1987," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1987, accessed November 12, 2026.

[286] Donald Bernhardt and Marshall Eckblad, "Stock Market Crash of 1987," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1987, accessed November 12, 2026.

[287] Donald Bernhardt and Marshall Eckblad, "Stock Market Crash of 1987," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1987, accessed November 12, 2026.

It worked. Unlike past crashes, this one did not set off a run on bank deposits, and stocks passed their pre-crash highs in less than two years.[288] Greenspan later said the 1987 crash "had few negative consequences for the economy."[289]

"Irrational exuberance"

The 1990s were a long expansion with low inflation. In a speech on December 5, 1996, Greenspan asked a question that became famous: "But how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions as they have in Japan over the past decade?"[290]

The phrase "irrational exuberance" became shorthand for stock bubbles. Note what Greenspan actually did: he asked the question. The Fed did not try to pop the stock bubble of the late 1990s, which burst in 2000 and 2001.

The savings and loan crisis

The Greenspan years started in the middle of a slow-motion banking disaster. Savings and loans, or "thrifts," were banks that mostly took savings deposits and made home loans. In 1980 there were "almost 4,000 thrifts with total assets of $600 billion."[291] When interest rates soared under Volcker, thrifts were stuck paying high rates on deposits while earning low fixed rates on old mortgages. Deregulation then let many of them chase riskier loans, and from 1982 to 1985 thrift assets grew 56 percent, more than twice as fast as banks'.[292]

It ended badly. The federal fund that insured thrift deposits ran out of money. In 1988, the worst year, "more than 40 percent" of failures nationwide were in Texas.[293] Congress passed a cleanup law in 1989, and a new agency, the Resolution Trust Corporation, closed 747

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[288] Donald Bernhardt and Marshall Eckblad, "Stock Market Crash of 1987," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1987, accessed November 12, 2026.

[289] Alan Greenspan, "The Challenge of Central Banking in a Democratic Society," remarks at the Annual Dinner and Francis Boyer Lecture of the American Enterprise Institute, Board of Governors of the Federal Reserve System, December 5, 1996, https://www.federalreserve.gov/boarddocs/speeches/1996/19961205.htm, accessed November 12, 2026.

[290] Alan Greenspan, "The Challenge of Central Banking in a Democratic Society," remarks at the Annual Dinner and Francis Boyer Lecture of the American Enterprise Institute, Board of Governors of the Federal Reserve System, December 5, 1996, https://www.federalreserve.gov/boarddocs/speeches/1996/19961205.htm, accessed November 12, 2026.

[291] Kenneth J. Robinson, "Savings and Loan Crisis," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/savings-and-loan-crisis, accessed November 12, 2026.

[292] Kenneth J. Robinson, "Savings and Loan Crisis," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/savings-and-loan-crisis, accessed November 12, 2026.

[293] Kenneth J. Robinson, "Savings and Loan Crisis," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/savings-and-loan-crisis, accessed November 12, 2026.

thrifts holding more than $407 billion in assets before it shut down at the end of 1995. The final cost to taxpayers was estimated "as high as $124 billion."[294]

The Fed was not the main regulator of thrifts, so this was not mainly a Fed failure. I include it for two reasons. First, it is a real case of taxpayers paying for a financial collapse, and it is worth comparing to 2008, when most of the Fed's loans were repaid. Second, it shows how the interest-rate shock of the Volcker years spread through the whole financial system.

The Great Moderation

Economists call the period from the mid-1980s to 2007 "the Great Moderation," "a welcome period of relative calm after the volatility of the Great Inflation."[295] Recessions were fewer and milder, and inflation stayed low. Was that good policy, good luck, or both? Economists still argue. Two Fed habits from that time are still with us:

- **Telling the public what it decided.** The FOMC began issuing a statement after its meetings on February 4, 1994.[296] Before that, markets had to guess from the Fed's trading what it had done. Hard to believe now, but it is true.
- **A number for inflation.** In January 2012, the Fed first issued its Statement on Longer-Run Goals and named a 2 percent inflation goal. At the same time it said that "a fixed goal for employment" would not be appropriate, because the level of employment the economy can sustain changes over time.[297] [298]

Long-Term Capital Management, 1998

One episode from the Greenspan years still comes up in every argument about bailouts. Long-Term Capital Management was a giant hedge fund that made large bets with borrowed money. In 1998 those bets went badly wrong, and Wall Street feared that a messy collapse would drag down the banks and dealers that had lent to it.[299]

What did the Fed do? It brought the fund's lenders into a room. The New York Fed "invited a core group of three firms" to a meeting on September 22, 1998, and the next day the

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[294] Kenneth J. Robinson, "Savings and Loan Crisis," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/savings-and-loan-crisis, accessed November 12, 2026.

[295] Craig S. Hakkio, "The Great Moderation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-moderation, accessed November 12, 2026.

[296] Craig S. Hakkio, "The Great Moderation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-moderation, accessed November 12, 2026.

[297] Craig S. Hakkio, "The Great Moderation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-moderation, accessed November 12, 2026.

[298] Aaron Steelman, "Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins)," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/humphrey-hawkins-act, accessed November 12, 2026.

[299] Michael Fleming and Weiling Liu, "Near Failure of Long-Term Capital Management," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/ltcm-near-failure, accessed November 12, 2026.

rescue came together.[300] "Together, fourteen firms put up $3.625 billion in capital in exchange for 90 percent of the fund's ownership."[301] The Fed's history essay is careful on the key point: "the Federal Reserve brought the market participants together and oversaw the refinancing, it did not put its own funds at risk."[302]

So no Fed money went in. But critics argue that by organizing the rescue at all, the Fed sent a signal that it would step in when big players got in trouble. Hold that thought, because it is at the heart of the "Greenspan put" debate below and the bigger rescues of 2008.

The case for and against

	What supporters say	What critics say
1987 and later crises	Quick, calm action kept crashes from becoming depressions	Repeated rescues taught investors the Fed would always save them, encouraging risk (critics call this the "Greenspan put")
The 1990s	Low inflation and steady growth; Greenspan saw productivity gains others missed	The Fed let a stock bubble grow
The 2000s	Low rates after 2001 cushioned a recession	Low rates and light regulation helped inflate the housing bubble that burst in 2007

What the official crisis commission said

Congress set up the Financial Crisis Inquiry Commission to find the causes of the 2008 crisis. Its final report came out in January 2011, and it is the closest thing we have to an official verdict on the Greenspan years. It was not unanimous, and that matters for how you read it.

The six commissioners who adopted the report were hard on the Fed. They wrote: "The prime example is the Federal Reserve's pivotal failure to stem the flow of toxic mortgages, which it could have done by setting prudent mortgage-lending standards. The Federal Reserve was the one entity empowered to do so and it did not."[303] They also blamed "more than 30 years of deregulation and reliance on self-regulation by financial institutions,

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[300] Michael Fleming and Weiling Liu, "Near Failure of Long-Term Capital Management," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/ltcm-near-failure, accessed November 12, 2026.

[301] Michael Fleming and Weiling Liu, "Near Failure of Long-Term Capital Management," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/ltcm-near-failure, accessed November 12, 2026.

[302] Michael Fleming and Weiling Liu, "Near Failure of Long-Term Capital Management," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/ltcm-near-failure, accessed November 12, 2026.

[303] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, p. xvii, accessed November 12, 2026.

championed by former Federal Reserve chairman Alan Greenspan and others, supported by successive administrations and Congresses."[304]

The report also explains the phrase "Greenspan put." It calls it "analysts' shorthand for investors' faith that the Fed would keep the capital markets functioning no matter what," and it quotes Greenspan's own argument that trying to pop a bubble on purpose would do more harm than cleaning up after one.[305]

Four of the ten commissioners dissented. Three of them, Keith Hennessey, Douglas Holtz-Eakin and Bill Thomas, wrote that a global credit bubble was the first cause, and that "U.S. monetary policy may have contributed to the credit bubble but did not cause it."[306] The fourth, Peter Wallison, wrote that "the sine qua non of the financial crisis was U.S. government housing policy."[307] (Sine qua non is Latin for "the thing without which it would not have happened.")

So where does that leave the critique? The official majority said the Fed failed as a mortgage regulator. The dissenters put more weight on global money flows and housing policy, and said the Fed's low rates played a supporting role at most. Both sides agreed the Fed was part of the story. They disagreed on how big a part.

Part Three (first half) source notes

Sources used in Chapters 8 to 12: Federal Reserve History essays on the 1929 crash, the Great Depression, the Banking Act of 1935, the Treasury-Fed Accord, the Accord through the mid-1960s, the Great Inflation, Volcker's 1979 announcement, the 1981-82 recession, the 1977 Reform Act, Humphrey-Hawkins and the 1987 crash; the Martin and Burns profiles; Bernanke's 2002 speech; Greenspan's 1996 speech; the Financial Crisis Inquiry Commission's 2011 report, including both dissents; Federal Reserve History essays on the 1930-31 banking panics, the 1937-38 recession, the Banking Act of 1933, the Monetary Control Act of 1980, the savings and loan crisis, the Great Moderation and LTCM; profiles of Eccles, Burns, Miller, Volcker and Greenspan; the Board's June 22, 2026 statement on Greenspan's death.

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[304] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, p. xviii, accessed November 12, 2026.

[305] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 4, "Deregulation Redux", accessed November 12, 2026.

[306] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, Dissenting Statement, Hennessey, Holtz-Eakin and Thomas, accessed November 12, 2026.

[307] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, Dissenting Statement, Wallison, accessed November 12, 2026.

[Not verified]: Johnson's ranch meeting with Martin; Nixon's pressure on Burns from the White House tapes (widely reported but not opened here); the 1980s farmer and homebuilder protests; Truman's "traitor" remark rests on one secondary account.

Where sources disagree: the 1980 inflation peak (four different numbers across Fed essays; I used the CPI peak near 15 percent and explained the rest); Eccles's start as Chair (1934 or 1936, depending on how the 1935 restructuring is counted).

Chapter 13. The 2008 Crisis

The 2007 to 2009 financial crisis was the Fed's biggest test since the Depression. This time, the Fed did the opposite of what it did in the 1930s. It flooded the system with money and lent to almost anyone it legally could. Whether that was the right call, and who it helped most, is still one of the hottest arguments about the Fed.

Ben Bernanke had been a governor from 2002 to 2005 and "originally took office as chairman in February 2006." His second term ended in January 2014, "when he was succeeded by Janet Yellen."[308] He was a scholar of the Great Depression (Chapter 8), and he ended up leading the Fed through the worst crisis since then.

What happened

The trouble started in housing. Lenders had made many "subprime" mortgages, loans to borrowers with weak credit, and packaged them into securities sold around the world. When home prices fell, those loans went bad. New Century Financial, a big subprime lender, filed for bankruptcy in April 2007. Fannie Mae and Freddie Mac, the giant government-sponsored mortgage companies, were seized by the federal government in the summer of 2008.[309]

The recession ran from December 2007 to June 2009. Real gross domestic product (GDP), the inflation-adjusted value of everything the economy produces, fell 4.3 percent from peak to bottom, and unemployment peaked at 10 percent in October 2009.[310] At eighteen months, it was the longest recession since World War II.[311] The Fed cut its target from 4.5 percent at the end of 2007 to 2 percent by early September 2008, and by the end of 2008 to "a target range of 0 to 25 basis points," which is zero to 1/4 percent.[312] In December 2012 it took an unusual step: it said rates would stay near zero at least as long as unemployment stayed above 6.5 percent and inflation stayed no more than half a point above its 2 percent goal.[313] That was the Fed tying its promise to numbers anyone could check.

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[308] "Ben S. Bernanke," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/ben-s-bernanke, accessed November 12, 2026.

[309] John V. Duca, "Subprime Mortgage Crisis," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/subprime-mortgage-crisis, accessed November 12, 2026.

[310] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

[311] John Weinberg, "The Great Recession and Its Aftermath," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath, accessed November 12, 2026.

[312] John Weinberg, "The Great Recession and Its Aftermath," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath, accessed November 12, 2026.

[313] John Weinberg, "The Great Recession and Its Aftermath," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath, accessed November 12, 2026.

The rescues

The Fed's actions came in waves. Here are the biggest, from the Federal Reserve History essays:

Date	Event	What the Fed did
March 14-16, 2008	Bear Stearns, an investment bank, nearly fails	The New York Fed made a $12.9 billion bridge loan, then helped JPMorgan Chase buy Bear Stearns, financing about $30 billion of Bear's assets through a company called Maiden Lane LLC
September 15, 2008	Lehman Brothers files for bankruptcy	No rescue of Lehman itself; Lehman's dealer subsidiary borrowed $28 billion that day from a Fed lending program
September 16, 2008	AIG, a giant insurer, nears collapse	The New York Fed lent to AIG; the Treasury received a 79.9 percent ownership stake
November 23, 2008	Citigroup	Government support for a pool of about $306 billion in assets
January 16, 2009	Bank of America	Support announced for a pool of about $118 billion; never used; Bank of America paid a $425 million exit fee

Source: Weinberg, "Support for Specific Institutions." Dollar figures are nominal.[314]

On top of the single-company rescues, the Fed opened broad lending programs for banks, securities dealers, money market funds and the commercial paper market (short-term IOUs that businesses use to pay bills). At their peaks, the Term Auction Facility had $493 billion outstanding, dollar swap lines with foreign central banks $586 billion, and the Commercial Paper Funding Facility $350 billion.[315] According to the Federal Reserve History essay, the credits were repaid in full with interest, apart from a small balance in one program.[316] The Government Accountability Office (GAO) later found that loans outstanding under the emergency programs "peaked at more than $1 trillion in late 2008."[317]

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[314] John Weinberg, "Support for Specific Institutions," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/support-for-specific-institutions, accessed November 12, 2026.

[315] John Weinberg, "Federal Reserve Credit Programs During the Meltdown," Federal Reserve History, Federal Reserve System, written as of November 22, 2015, https://www.federalreservehistory.org/essays/fed-credit-programs, accessed November 12, 2026.

[316] John Weinberg, "Federal Reserve Credit Programs During the Meltdown," Federal Reserve History, Federal Reserve System, written as of November 22, 2015, https://www.federalreservehistory.org/essays/fed-credit-programs, accessed November 12, 2026.

[317] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

Rates to zero, and quantitative easing

The Fed also cut its target rate from 5.25 percent in September 2007 to a range of 0 to 1/4 percent in December 2008.[318] [319] In October 2008 it gained the authority to pay interest on the reserves banks keep at the Fed.[320]

With rates at zero, the Fed turned to buying bonds on a massive scale. This is what people call quantitative easing, or QE:

- **QE1:** starting November 2008, up to $500 billion in mortgage-backed securities and $100 billion in debt of the government-sponsored mortgage companies, plus $300 billion in Treasury securities added in March 2009. All told, about $1.75 trillion in longer-term assets.[321]
- **QE2:** $600 billion in Treasury securities in 2010 and 2011.[322]
- **QE3:** an open-ended program that began in September 2012.[323]

The Fed held rates near zero for seven years. It raised them for the first time on December 17, 2015.[324]

More talking

One quieter change of the Bernanke years still shapes how you hear about the Fed. On March 24, 2011, the Fed announced that the Chair "will hold press briefings four times per year," with 2011 dates of April 27, June 22 and November 2. The release called it "the introduction of regular press briefings," meant to "further enhance the clarity and timeliness" of the Fed's communication.[325] Chairs now hold a press conference on decision

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[318] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

[319] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[320] John Weinberg, "The Great Recession and Its Aftermath," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath, accessed November 12, 2026.

[321] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

[322] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

[323] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

[324] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[325] Board of Governors of the Federal Reserve System, "Chairman Bernanke will hold press briefings four times per year to present the FOMC's current economic projections and to provide additional context for policy decisions," press release, March 24, 2011, https://www.federalreserve.gov/newsevents/pressreleases/monetary20110324a.htm, accessed November 12, 2026.

day; Chair Warsh held one on October 28, 2026, for example.[326] More talking has a cost too: markets now react to every word, which is one reason the statements are written so carefully (Appendix D).

Dodd-Frank

Congress answered with the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed by President Barack Obama on July 21, 2010.[327] For the Fed, the biggest changes were:

- Emergency lending can only go through broad programs, not to rescue a single company, and needs the Treasury Secretary's approval (Chapter 7).[328] [329]
- The GAO was directed to do a one-time audit of the emergency programs, and given ongoing power to audit future emergency lending (Chapter 16).[330] [331]
- A new Vice Chair for Supervision on the Board.[332]
- Class A directors, the bankers, no longer help choose Reserve Bank presidents.[333]

The Act also created the Consumer Financial Protection Bureau, funded through the Fed, and the Financial Stability Oversight Council.[334] [335]

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[326] Board of Governors of the Federal Reserve System, "Transcript of Chairman Warsh's Press Conference," October 28, 2026, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20261028.pdf, accessed November 12, 2026.

[327] Keith Goodwin, "Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/dodd-frank-act, accessed November 12, 2026.

[328] Keith Goodwin, "Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/dodd-frank-act, accessed November 12, 2026.

[329] Federal Reserve Act, Section 13, "Powers of Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section13.htm, accessed November 12, 2026.

[330] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[331] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

[332] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[333] Federal Reserve Act, Section 4, "Federal Reserve Banks," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section4.htm, accessed November 12, 2026.

[334] Keith Goodwin, "Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/dodd-frank-act, accessed November 12, 2026.

[335] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

The two sides

	The case for the Fed	The case against
Rescues	Lending stopped a 1930s-style collapse; the loans were repaid with interest	It saved Wall Street firms and their executives while millions of homeowners lost their homes; it rewarded risk-taking
Lehman	Fed officials said they lacked the legal authority to lend to Lehman because it did not have enough collateral to secure a loan[336]	The crisis commission majority found that officials decided not to rescue Lehman for several reasons and only "after the fact" cited legal authority; letting Lehman fail while saving Bear Stearns and AIG "added to uncertainty and panic"[337]
QE	Lowered long-term rates and supported recovery	Inflated stock and home prices, helping people who already owned assets more than those who did not
Secrecy	Names of borrowers were kept quiet to avoid runs	Congress and the public had to fight for disclosure; Dodd-Frank and court cases forced it

Why was Lehman allowed to fail?

This is still argued about, so here is what the crisis commission's majority found. Officials decided not to rescue Lehman "for a variety of reasons, including the lack of a private firm willing and able to acquire it, uncertainty about Lehman's potential losses, concerns about moral hazard and political reaction, and erroneous assumptions that Lehman's failure would have a manageable impact on the financial system because market participants had anticipated it. After the fact, they justified their decision by stating that the Federal Reserve did not have legal authority to rescue Lehman."[338]

The commission also noted that Bernanke's first public explanation, days after the bankruptcy, was different: he told Congress then that investors "had had time to take precautionary measures."[339] The commission pointed out that the emergency lending law required loans to be "secured to the satisfaction of the Federal Reserve bank," not fully

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[336] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 18, accessed November 12, 2026.

[337] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 18, conclusions, accessed November 12, 2026.

[338] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 18, conclusions, accessed November 12, 2026.

[339] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 18, accessed November 12, 2026.

secured.[340] The Fed's position, as the commission reports it, was that Lehman "did not have sufficient collateral to secure a loan" under that law.[341] Reasonable people read that record differently. What it does show is that the official explanation changed over time.

These are interpretations, and both sides are argued by serious people. The facts underneath, the loans, the amounts, the repayments and the audit, are in the sources above.

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[340] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 18, accessed November 12, 2026.

[341] Financial Crisis Inquiry Commission, "The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States," Official Government Edition, January 2011, https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf, ch. 18, accessed November 12, 2026.

Chapter 14. The Pandemic, the 2021-2023 Inflation and After

The information in this chapter stops at November 12, 2026.

A warning sign: September 2019

Before the pandemic, there was a strange week in the money markets that tells you a lot about how the Fed works now. Banks and investors borrow from each other overnight against Treasury bonds, a market called "repo." On Monday, September 16, 2019, the key overnight repo rate "printed at 2.43 percent, 13 basis points higher than the previous business day." The next day it jumped "to above 5 percent," and the federal funds rate moved above the Fed's target range.[342] (A basis point is one-hundredth of a percentage point.) For a market where rates "rarely move more than 20 basis points on a day," that was a shock.[343]

The Fed's own researchers traced it to a drop in bank reserves of "about $120 billion over two business days," as corporate tax payments and Treasury bond settlements pulled cash out of the banking system.[344] The New York Fed stepped in with repo loans of its own, starting September 17, and rates came back down.[345] The lesson the Fed took: in the modern system, banks need plenty of reserves, and the Fed has to keep enough in the system to avoid these spikes. That is why, in 2026, it was buying Treasury bills to keep reserves "ample" (later in this chapter).

March 2020

When the COVID-19 pandemic shut down much of the economy, the Fed moved faster than it ever had. It cut its target range by half a point on March 3-4, 2020, and then, in a Sunday statement dated March 15, cut it to 0 to 1/4 percent.[346] [347] (The Fed's rate table lists the

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[342] Sriya Anbil, Alyssa Anderson and Zeynep Senyuz, "What Happened in Money Markets in September 2019?," FEDS Notes, Board of Governors of the Federal Reserve System, February 27, 2020, https://www.federalreserve.gov/econres/notes/feds-notes/what-happened-in-money-markets-in-september-2019-20200227.html, accessed November 12, 2026.

[343] Sriya Anbil, Alyssa Anderson and Zeynep Senyuz, "What Happened in Money Markets in September 2019?," FEDS Notes, Board of Governors of the Federal Reserve System, February 27, 2020, https://www.federalreserve.gov/econres/notes/feds-notes/what-happened-in-money-markets-in-september-2019-20200227.html, accessed November 12, 2026.

[344] Sriya Anbil, Alyssa Anderson and Zeynep Senyuz, "What Happened in Money Markets in September 2019?," FEDS Notes, Board of Governors of the Federal Reserve System, February 27, 2020, https://www.federalreserve.gov/econres/notes/feds-notes/what-happened-in-money-markets-in-september-2019-20200227.html, accessed November 12, 2026.

[345] Sriya Anbil, Alyssa Anderson and Zeynep Senyuz, "What Happened in Money Markets in September 2019?," FEDS Notes, Board of Governors of the Federal Reserve System, February 27, 2020, https://www.federalreserve.gov/econres/notes/feds-notes/what-happened-in-money-markets-in-september-2019-20200227.html, accessed November 12, 2026.

[346] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

effective date as March 16.) The same statement said the Fed would increase its holdings of Treasury securities "by at least $500 billion" and mortgage-backed securities "by at least $200 billion," and it took steps on the discount window, swap lines with foreign central banks, and reserve requirements.[348]

In August 2020, the Fed changed its strategy. It said it would seek "inflation that averages 2 percent over time," so that after periods of low inflation, policy "will likely aim to achieve inflation moderately above 2 percent for some time."[349] Critics later argued this new approach made the Fed slow to react when inflation came.

The emergency lending programs of 2020

The Fed also reopened its emergency lending toolbox from 2008 and added new tools. Its list of 2020 programs includes facilities for commercial paper, money market funds, securities dealers, corporate bonds, loans backed by consumer and business debt, state and local governments, mid-sized businesses (the "Main Street Lending Program"), and loans made under the Paycheck Protection Program.[350] The Municipal Liquidity Facility alone was "designed to purchase up to $500 billion of short term notes" from states, cities and counties.[351]

This time Congress put taxpayer money in up front. For the two corporate bond facilities, for example, "the Treasury, using funds appropriated to the ESF through the CARES Act, made an equity investment" to absorb losses first.[352] (The ESF is the Treasury's Exchange Stabilization Fund. The CARES Act was the March 2020 pandemic relief law.) That is a big change from the Fed's pre-1930s role, and a direct result of the post-2008 rule that emergency lending must be broad-based and approved by the Treasury Secretary (Chapter 7).

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[347] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, March 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm, accessed November 12, 2026.

[348] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, March 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm, accessed November 12, 2026.

[349] Board of Governors of the Federal Reserve System, "FOMC announces approval of updates to its Statement on Longer-Run Goals and Monetary Policy Strategy," press release, August 27, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm, accessed November 12, 2026.

[350] Board of Governors of the Federal Reserve System, "Funding, Credit, Liquidity, and Loan Facilities," last updated July 7, 2023, https://www.federalreserve.gov/funding-credit-liquidity-and-loan-facilities.htm, accessed November 12, 2026.

[351] Board of Governors of the Federal Reserve System, "Funding, Credit, Liquidity, and Loan Facilities," last updated July 7, 2023, https://www.federalreserve.gov/funding-credit-liquidity-and-loan-facilities.htm, accessed November 12, 2026.

[352] Board of Governors of the Federal Reserve System, "Funding, Credit, Liquidity, and Loan Facilities," last updated July 7, 2023, https://www.federalreserve.gov/funding-credit-liquidity-and-loan-facilities.htm, accessed November 12, 2026.

The inflation

Inflation came hard. Over the twelve months ending June 2022, the Consumer Price Index rose 9.1 percent, "the largest 12-month increase since the 12-month period ending November 1981."[353]

For much of 2021, Fed officials described the price increases as likely to be temporary. That word, "transitory," became the most criticized word in the Fed's recent history. I did not open a specific Fed document using it for this book and mark the exact wording [Not verified], though the description of the Fed's early view is widely reported.

The Fed's first increase came on March 16, 2022, raising the target range "to 1/4 to 1/2 percent." Even then, one member wanted more: St. Louis Fed President James Bullard voted no because he "preferred at this meeting to raise the target range for the federal funds rate by 0.5 percentage point."[354] After that, the Fed raised rates faster than at any time since the early 1980s:

Date (effective)	Change	New target range
March 17, 2022	+0.25	0.25 to 0.50 percent
May 5, 2022	+0.50	0.75 to 1.00
June 16, 2022	+0.75	1.50 to 1.75
July 28, 2022	+0.75	2.25 to 2.50
September 22, 2022	+0.75	3.00 to 3.25
November 3, 2022	+0.75	3.75 to 4.00
December 15, 2022	+0.50	4.25 to 4.50
February 2, 2023	+0.25	4.50 to 4.75
March 23, 2023	+0.25	4.75 to 5.00
May 4, 2023	+0.25	5.00 to 5.25
July 27, 2023	+0.25	5.25 to 5.50 (peak)

Source: Board of Governors, "Open Market Operations." The dates shown are the effective dates, the day after each FOMC decision.[355]

Silicon Valley Bank, March 2023

Fast rate hikes have side effects. When rates rise, older bonds paying low interest lose market value, and banks that hold a lot of them can look weaker than they did a year earlier.

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[353] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 18, 2022, https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm, accessed November 12, 2026.

[354] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," March 16, 2022, https://www.federalreserve.gov/newsevents/pressreleases/monetary20220316a.htm, accessed November 12, 2026.

[355] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

In March 2023, two banks failed: Silicon Valley Bank in California and Signature Bank in New York.[356] (How much of each failure came from bond losses, and how much from management and supervision problems, was argued over afterward. I did not open the later reviews of those failures and do not settle that question here.)

On Sunday, March 12, 2023, the Treasury Secretary (Janet Yellen, by then), the Fed Chair (Jerome Powell) and the head of the FDIC (Martin Gruenberg) issued a joint statement.[357] They used what the law calls a "systemic risk exception" to protect every depositor, even those with balances above the $250,000 insurance limit. For Silicon Valley Bank, the plan "fully protects all depositors."[358] They also promised: "No losses associated with the resolution of Silicon Valley Bank will be borne by the taxpayer." Shareholders and some bondholders "will not be protected," and senior management was removed. Any losses to the insurance fund "will be recovered by a special assessment on banks, as required by law."[359]

The Fed added a new lending program the same night, the Bank Term Funding Program (BTFP). It offered banks "loans of up to one year in length," and the bonds they pledged "will be valued at par," meaning at their full face value rather than their lower market price. The Treasury set aside "up to $25 billion from the Exchange Stabilization Fund as a backstop."[360]

Was that a bailout? It depends on what you mean. Depositors above the insurance limit were protected, which is a form of rescue. But shareholders lost their money, managers lost their jobs, and the cost of covering deposits was charged to other banks, not to taxpayers directly. Critics point out that banks pass costs on to their customers, so ordinary people may pay in the end. Supporters say acting fast stopped runs at other banks. Both points are fair. What is not accurate is the claim that the Fed "printed money to bail out rich tech companies": the deposit guarantee came through the FDIC's insurance fund, and the Fed's part was a loan program backed by bonds.

After the peak, 2024 to 2026

Date (effective)	Change	New target range

[356] U.S. Department of the Treasury, Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, "Joint Statement by Treasury, Federal Reserve, and FDIC," March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm, accessed November 12, 2026.

[357] U.S. Department of the Treasury, Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, "Joint Statement by Treasury, Federal Reserve, and FDIC," March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm, accessed November 12, 2026.

[358] U.S. Department of the Treasury, Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, "Joint Statement by Treasury, Federal Reserve, and FDIC," March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm, accessed November 12, 2026.

[359] U.S. Department of the Treasury, Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, "Joint Statement by Treasury, Federal Reserve, and FDIC," March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm, accessed November 12, 2026.

[360] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors," press release, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm, accessed November 12, 2026.

Date (effective)	Change	New target range
September 19, 2024	-0.50	4.75 to 5.00
November 8, 2024	-0.25	4.50 to 4.75
December 19, 2024	-0.25	4.25 to 4.50
September 18, 2025	-0.25	4.00 to 4.25
October 30, 2025	-0.25	3.75 to 4.00
December 11, 2025	-0.25	3.50 to 3.75
September 17, 2026	+0.25	3.75 to 4.00
October 28, 2026 (decision)	No change	3-3/4 to 4 percent

Sources: "Open Market Operations" table, last updated September 16, 2026; FOMC statement of October 28, 2026.[361] [362]

What happened in 2026

The 2026 story is worth telling in some detail, because it is the most recent record and the one you will hear argued about.

December 2025: a split vote. The last cut was decided on December 10, 2025, to 3-1/2 to 3-3/4 percent. The vote was 9 to 3, and the dissents went in both directions. Governor Stephen Miran wanted a bigger cut of half a point. Chicago Fed President Austan Goolsbee and Kansas City Fed President Jeffrey Schmid wanted no change at all.[363] The Committee said "downside risks to employment rose in recent months" while inflation "remains somewhat elevated."[364] Keep that vote in mind when someone tells you the FOMC simply does what the President wants. On the same day, some members wanted more cutting and some wanted none.

The first half of 2026: holding, while inflation rose. The FOMC held rates steady at 3-1/2 to 3-3/4 percent from the start of 2026.[365] Its July Monetary Policy Report to Congress said "inflation has risen this year and remains elevated." The personal consumption expenditures (PCE) price index, the inflation measure the Fed targets, rose 4.1 percent over the twelve months ending in May; excluding food and energy, it rose 3.4

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[361] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[362] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[363] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," December 10, 2025, https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm, accessed November 12, 2026.

[364] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," December 10, 2025, https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm, accessed November 12, 2026.

[365] Board of Governors of the Federal Reserve System, "Monetary Policy Report - July 2026: Summary," submitted to Congress July 10, 2026, https://www.federalreserve.gov/monetarypolicy/2026-07-mpr-summary.htm, accessed November 12, 2026.

percent.[366] The report tied part of the jump to an energy price shock connected to a conflict in the Middle East that began in late February.[367] Unemployment was 4.2 percent in June, "low and has been little changed since last summer."[368] At its June 17 meeting, the FOMC again held, 12 to 0, saying inflation "remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks."[369]

September 2026: a hike. On September 16, 2026, the FOMC voted 12 to 0 to raise the range by a quarter point, to 3-3/4 to 4 percent, saying "Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2 percent goal."[370] The minutes show what the members were looking at: total PCE inflation "edged up to 3.8 percent in August," core PCE was about 3.4 percent, and "the unemployment rate moved down to 4.1 percent in July and August."[371] Participants said "they had not seen sufficient progress on lowering inflation in recent months."[372]

October 2026: hold, with two members wanting more. That brings us to the October 28 decision described below. At his press conference, Chair Warsh said inflation "has been running above the Committee's objective for close to six years." Asked about politics, he said "politics played no role in the decision," and described his colleagues as "18 quite independent colleagues."[373] He also said a task force was reviewing the Fed's balance sheet, with recommendations expected "probably early in the first quarter" of 2027.[374]

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[366] Board of Governors of the Federal Reserve System, "Monetary Policy Report - July 2026: Summary," submitted to Congress July 10, 2026, https://www.federalreserve.gov/monetarypolicy/2026-07-mpr-summary.htm, accessed November 12, 2026.

[367] Board of Governors of the Federal Reserve System, "Monetary Policy Report - July 2026: Summary," submitted to Congress July 10, 2026, https://www.federalreserve.gov/monetarypolicy/2026-07-mpr-summary.htm, accessed November 12, 2026.

[368] Board of Governors of the Federal Reserve System, "Monetary Policy Report - July 2026: Summary," submitted to Congress July 10, 2026, https://www.federalreserve.gov/monetarypolicy/2026-07-mpr-summary.htm, accessed November 12, 2026.

[369] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," June 17, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260617a.htm, accessed November 12, 2026.

[370] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," September 16, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a.htm, accessed November 12, 2026.

[371] Board of Governors of the Federal Reserve System, "Minutes of the Federal Open Market Committee, September 15-16, 2026," https://www.federalreserve.gov/monetarypolicy/fomcminutes20260916.htm, accessed November 12, 2026.

[372] Board of Governors of the Federal Reserve System, "Minutes of the Federal Open Market Committee, September 15-16, 2026," https://www.federalreserve.gov/monetarypolicy/fomcminutes20260916.htm, accessed November 12, 2026.

[373] Board of Governors of the Federal Reserve System, "Transcript of Chairman Warsh's Press Conference," October 28, 2026, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20261028.pdf, accessed November 12, 2026.

[374] Board of Governors of the Federal Reserve System, "Transcript of Chairman Warsh's Press Conference," October 28, 2026, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20261028.pdf, accessed November 12, 2026.

You might ask, "If inflation was near 4 percent, why only a quarter point?" The Fed's own documents point to two things it was weighing: a job market with unemployment around 4.1 to 4.2 percent, and inflation that came "in part" from supply shocks, including the energy price jump.[375] [376] [377] Critics on one side say it was moving too slowly against inflation that had run above target for years. Critics on the other side say raising rates during an energy shock punishes workers for something the Fed cannot fix. Both views are on the record. The numbers above are what the Fed itself reported.

Two things stand out. First, the Fed raised rates again in September 2026 after cutting for over a year. Second, at the October 28, 2026 meeting, two members, Governor Lisa D. Cook and Cleveland Fed President Beth M. Hammack, voted against holding steady because they wanted another quarter-point increase.[378] The next meeting was scheduled for December 8-9, 2026, after this book's information date.[379]

New leadership

Janet Yellen, a former president of the San Francisco Fed and the Fed's Vice Chair, became Chair "in February 2014, for a four-year term ending February 3, 2018," and "was succeeded by Jerome Powell."[380] She later became Treasury Secretary, which is why her name appears on the 2023 bank statement above.

Jerome Powell served as Chair from February 5, 2018, to May 22, 2026.[381] [382] Kevin Warsh became Chair on May 22, 2026.[383] Public reference sources report that President Donald Trump announced his choice of Warsh on January 30, 2026, and that Warsh took the Board seat previously held by Stephen Miran; I could not confirm those two details in a primary

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[375] Board of Governors of the Federal Reserve System, "Minutes of the Federal Open Market Committee, September 15-16, 2026," https://www.federalreserve.gov/monetarypolicy/fomcminutes20260916.htm, accessed November 12, 2026.

[376] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," June 17, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260617a.htm, accessed November 12, 2026.

[377] Board of Governors of the Federal Reserve System, "Monetary Policy Report - July 2026: Summary," submitted to Congress July 10, 2026, https://www.federalreserve.gov/monetarypolicy/2026-07-mpr-summary.htm, accessed November 12, 2026.

[378] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[379] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

[380] "Janet L. Yellen," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/people/janet-l-yellen, accessed November 12, 2026.

[381] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[382] Board of Governors of the Federal Reserve System, "Jerome H. Powell," biography, last updated May 22, 2026, https://www.federalreserve.gov/aboutthefed/bios/board/powell.htm, accessed November 12, 2026.

[383] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

source.[384] [385] The Senate's own records show the votes. On May 12, 2026, the Senate confirmed Warsh as a member of the Board, 51 to 45, and on May 13 it confirmed him as Chair, 54 to 45.[386] The dates of service come from the Board's own page.

The balance sheet

The Fed's bond buying in 2020 and 2021 more than doubled its balance sheet. It has been shrinking it since 2022 by letting bonds mature without replacing them. On November 4, 2026, the Fed held about $6.46 trillion in securities outright.[387] The shrinking began on June 1, 2022, under a plan the Fed published on May 4 of that year. Each month, the Fed let up to $30 billion of Treasury securities and $17.5 billion of mortgage-related securities mature without replacing them, rising after three months to $60 billion and $35 billion.[388] The often-reported peak of about $9 trillion in 2022 I could not confirm in text form from the Fed's site and mark [Not verified]; the Fed publishes those totals only in its weekly H.4.1 tables and charts. Under its October 2026 directive, the Fed was again buying Treasury bills "when appropriate" to keep reserves "ample."[389]

The two sides

	The case against the Fed	The case for the Fed
Speed	It called inflation temporary and waited about a year to raise rates; its 2020 framework made it slow	Supply chains, energy and war shocks drove much of the inflation; many forecasters outside the Fed missed it too
Cause	Massive bond buying and zero rates, along with federal spending, fueled demand	Inflation rose around the world, including in countries with very different central bank policies
Result	Prices are permanently higher; households lost buying power	Inflation came down without the deep recession that followed the Volcker fight

Part Six tests the claim "The Fed caused the inflation after the pandemic" against the record. The companion book on inflation covers how inflation is measured and who was hurt most.

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[384] Wikipedia, "Kevin Warsh," https://en.wikipedia.org/wiki/Kevin_Warsh (used only to locate events; see text), accessed November 12, 2026.

[385] Wikipedia, "Stephen Miran," https://en.wikipedia.org/wiki/Stephen_Miran (used only to locate events; see text), accessed November 12, 2026.

[386] United States Senate, "Roll Call Votes, 119th Congress - 2nd Session (2026)," vote numbers 115, 116, 117 and 120, https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_119_2.xml, accessed November 12, 2026.

[387] Board of Governors of the Federal Reserve System, "Factors Affecting Reserve Balances - H.4.1," release of November 5, 2026, https://www.federalreserve.gov/releases/h41/current/default.htm, accessed November 12, 2026.

[388] Board of Governors of the Federal Reserve System, "Plans for Reducing the Size of the Federal Reserve's Balance Sheet," May 4, 2022, https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm, accessed November 12, 2026.

[389] Board of Governors of the Federal Reserve System, "Implementation Note issued October 28, 2026," https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a1.htm, accessed November 12, 2026.

Part Three (second half) source notes

Sources used in Chapters 13 and 14: Federal Reserve History essays on the Great Recession, the subprime crisis, support for specific institutions, credit programs, the aftermath and Dodd-Frank; the Board's rate table and FOMC statements of March 15, 2020, August 27, 2020 and October 28, 2026; the 2025 framework review page; the Bureau of Labor Statistics on June 2022 inflation; the H.4.1 release of November 5, 2026; GAO-11-696; the Financial Crisis Inquiry Commission's 2011 report; the Board Members page and Powell's biography; Federal Reserve History essays on the Great Recession and its aftermath, LTCM, and the profiles of Bernanke and Yellen; FOMC statements of March 16, 2022, December 10, 2025, June 17, 2026 and September 16, 2026; the minutes of September 15-16, 2026; the July 2026 Monetary Policy Report; Chair Warsh's October 28, 2026 press conference; the March 12, 2023 joint statement and BTFP release; the FEDS Note on September 2019; the 2020 facilities page; the May 4, 2022 balance sheet plan.

[Not verified]: the exact Fed wording "transitory" in 2021; the date Warsh's selection was announced and whose seat he took (from Wikipedia only); the 2022 balance sheet peak.

Where sources disagree: the March 2020 cut is dated March 15 in the statement and March 16 in the rate table (statement date versus effective date); the September 2026 increase is dated September 16 in the press release list and September 17 in the rate table, for the same reason. I give effective dates in the tables and decision dates in the text.

Part Four: Follow the Money

Chapter 15. Where the Fed's Money Comes From and Where It Goes

The figures in this chapter are nominal dollars and run through June 30, 2026, the newest Fed financial report available on November 12, 2026.

Here is something many people do not know: in a normal year, the Fed makes a large profit, and almost all of it goes to the U.S. Treasury. Here is something even fewer people know: from late 2022 through at least mid-2026, the Fed has been running losses, and it has sent almost nothing to the Treasury. Both facts matter for the claims in Part Six.

Where the money comes from

First, the short answer to a question I hear a lot: does Congress fund the Fed? No. In the Fed's own words, "The Federal Reserve does not receive funding through the congressional budgetary process." Its income "comes primarily from the interest on government securities that it has acquired through open market operations."[390]

The Fed's income is mostly interest on the bonds it owns. In 2021, the Reserve Banks' net income "was derived primarily from interest income on securities acquired through open market operations," which came to $122.4 billion that year.[391] In 2025, total interest income was about $155.3 billion, of which about $106.6 billion came from Treasury securities.[392] The Fed also earns fees for services it provides to banks, such as check and payment processing: about $542 million in 2025.[393]

Where the money goes

The Fed's biggest expense, in recent years by far, is the interest it pays to banks and others on the money they keep at the Fed:

- Interest on reserve balances held by banks.
- Interest on overnight reverse repurchase agreements, mostly with money market funds.

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[390] Board of Governors of the Federal Reserve System, "What does it mean that the Federal Reserve is 'independent within the government'?," FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_12799.htm, accessed November 12, 2026.

[391] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2021," press release, January 14, 2022, https://www.federalreserve.gov/newsevents/pressreleases/other20220114a.htm, accessed November 12, 2026.

[392] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[393] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

Those two lines were small when interest rates were near zero. In 2021, interest on reserve balances cost $5.3 billion.[394] In 2022, as rates rose, it cost $55.1 billion, and total interest expense was $102.4 billion.[395] In 2025, total interest expense was about $167.4 billion: about $147.7 billion to banks and other depository institutions and about $19.7 billion on reverse repurchase agreements.[396]

The Reserve Banks also pay their own operating costs, the Board of Governors' costs, the cost of printing currency, and the budget of the Consumer Financial Protection Bureau. In 2025, the Board's expenses and currency costs came to about $2.7 billion and the Bureau's to about $245 million.[397] The law requires the Board to fund the Bureau through assessments on the Reserve Banks.[398]

After expenses, the law says member banks get their capped dividend (Chapter 5), and the rest goes to the Reserve Banks' surplus. The total surplus of all Reserve Banks "may not exceed $6,825,000,000," and amounts above that go to the Treasury.[399] In practice, the Reserve Banks send their net earnings to the Treasury every week.[400]

The good years

Here is what the Fed sent to the Treasury in a run of normal years:

Year	Sent to the Treasury (billions, nominal)
2015	$97.7, plus a one-time $19.3 transfer from surplus required by law, for a total of $117.0

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[394] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2021," press release, January 14, 2022, https://www.federalreserve.gov/newsevents/pressreleases/other20220114a.htm, accessed November 12, 2026.

[395] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[396] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[397] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[398] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[399] 12 U.S.C. 289, "Dividends and surplus funds of reserve banks," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/289, accessed November 12, 2026.

[400] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

Year	Sent to the Treasury (billions, nominal)
2016	$91.5
2017	$80.6
2018	$62.1, plus a $3.2 surplus transfer
2019	$54.9
2020	$88.5
2021	$107.4
2022	$76.0 (payments stopped in September)

Sources: Board of Governors press releases of January 14, 2022 and January 13, 2023.[401] [402]

The losses

You might ask, "How can a central bank lose money?" Here is the plain answer. In 2020 and 2021, the Fed bought trillions of dollars of bonds paying low interest. Then in 2022 and 2023 it raised short-term rates quickly to fight inflation. That raised what it pays banks on reserves, while what it earns on its old bonds stayed low. Paying more on what you owe than you earn on what you own is a loss.

The Fed's own explanation of what happened next: "in September 2022, most Reserve Banks suspended weekly remittances to the Treasury and started accumulating a deferred asset, which totaled $18.8 billion by the end of the year."[403]

You might ask, "What is a deferred asset?" The Fed defines it as "the amount of net earnings the Reserve Banks will need to realize before their remittances to the U.S. Treasury resume."[404] In plain words, it is an IOU the Fed writes to itself. When the Fed loses money, it does not ask Congress for a bailout or stop paying its bills. It keeps a running tally of the losses, and when it starts making money again, it keeps the profits to pay down that tally before it sends anything to the Treasury.

Date	Deferred asset (losses to be earned back), billions, nominal
December 31, 2022	$18.8
December 31, 2023	$133.3

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[401] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2021," press release, January 14, 2022, https://www.federalreserve.gov/newsevents/pressreleases/other20220114a.htm, accessed November 12, 2026.

[402] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[403] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[404] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

Date	Deferred asset (losses to be earned back), billions, nominal
December 31, 2024	$216.0
December 31, 2025	$243.5
March 31, 2026	$243.9 (unaudited)
June 30, 2026	$235.5 (unaudited)

Sources: Board press release of January 13, 2023; 2023 and 2025 combined financial statements; quarterly reports for March 31 and June 30, 2026.[405] [406] [407] [408] [409]

The Reserve Banks' net loss from operations was about $114.4 billion in 2023, the largest of the run.[410] It was about $77.6 billion in 2024 and about $18.7 billion in 2025.[411] One detail in the 2023 statements trips people up: they show a small positive "net income" after remittances, because the Fed records the unpaid amount it owes the Treasury against the deferred asset. The operating loss is the number that tells you what happened.[412] In the first half of 2026, the Reserve Banks earned about $14.1 billion before remittances, and the deferred asset began to shrink.[413] At that pace, it would take years to work off; the Fed has

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[405] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[406] Federal Reserve Banks, "Combined Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report" (KPMG report dated March 18, 2024), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2023.pdf, accessed November 12, 2026.

[407] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[408] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Quarterly Financial Report (Unaudited), March 31, 2026," May 15, 2026, https://www.federalreserve.gov/aboutthefed/files/quarterly-report-20260515.pdf, accessed November 12, 2026.

[409] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Quarterly Financial Report (Unaudited), June 30, 2026," August 28, 2026, https://www.federalreserve.gov/aboutthefed/files/quarterly-report-20260828.pdf, accessed November 12, 2026.

[410] Federal Reserve Banks, "Combined Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report" (KPMG report dated March 18, 2024), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2023.pdf, accessed November 12, 2026.

[411] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[412] Federal Reserve Banks, "Combined Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report" (KPMG report dated March 18, 2024), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2023.pdf, accessed November 12, 2026.

[413] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Quarterly Financial Report (Unaudited), June 30, 2026," August 28, 2026, https://www.federalreserve.gov/aboutthefed/files/quarterly-report-20260828.pdf, accessed November 12, 2026.

not published a date when payments to the Treasury will resume, and I do not guess one here.

Does the loss matter?

The Fed's position: "A deferred asset has no implications for the Federal Reserve's conduct of monetary policy or its ability to meet its financial obligations."[414]

Critics see it differently, and their point is fair in one specific way. Every dollar the Fed loses is a dollar it does not send to the Treasury, which means the government has to borrow or tax a little more to cover the gap. The Fed is not using taxpayer money to cover its losses, but taxpayers are not getting the profits they used to get, either. Some critics also argue that paying banks tens of billions of dollars a year in interest on reserves is a subsidy to banks. I test that claim in Part Six.

Who checks these numbers?

The Reserve Banks' combined financial statements for 2025 were audited by KPMG LLP, an outside accounting firm, whose report is dated March 12, 2026.[415] One detail matters: the Fed uses its own accounting rules, set out in its Financial Accounting Manual, which KPMG describes as a basis "other than U.S. generally accepted accounting principles."[416] That is not hidden; it is stated in the audit report. Chapter 16 covers audits in full.

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[414] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[415] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[416] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

Chapter 16. Is the Fed Audited?

You might ask, "Has the Fed ever been audited?" The short answer is yes, many times, every year. The longer answer is that the word "audit" means different things to different people, and the "Audit the Fed" movement is about one specific kind of review that the law does not allow.

What "audit" means

Before we go further, it helps to pin down a word that gets used three different ways in this debate.

A financial audit checks the books. Did the money go where the statements say it went? Are the numbers added up right, and do they follow accounting rules? An outside firm signs an opinion at the end. This is what a company's shareholders get every year, and it is what the Fed gets every year too.

A program or performance review asks whether an agency is doing its job well and following its own rules. Inspectors general and the GAO do this kind of work. They might ask whether the Fed's bank examiners followed procedure, or whether a lending program was managed well.

A policy review asks whether the decisions themselves were right. Should the FOMC have raised rates in March 2022 instead of waiting? Should it have bought so many mortgage bonds? That is the kind of review the GAO is barred from doing on monetary policy (later in this chapter), and it is what most "Audit the Fed" supporters actually want.

So when someone says "the Fed has never been audited," the honest reply is: it has been audited in the first sense every year, reviewed in the second sense many times, and kept out of the third sense on purpose by law. Whether that third wall should come down is a fair debate. Whether the first kind of audit happens is not.

Four kinds of review

1. Outside financial audits. Every year, an independent public accounting firm audits the Reserve Banks' financial statements, and another firm audits the Board's statements. The Reserve Banks' auditor is hired by the Board, and the Board's auditor is hired by the Board's Inspector General.[417] For 2025, the Reserve Banks' auditor was KPMG LLP.[418] The

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[417] Board of Governors of the Federal Reserve System, "Federal Reserve System Audited Annual Financial Statements," last updated April 22, 2026, https://www.federalreserve.gov/aboutthefed/audited-annual-financial-statements.htm, accessed November 12, 2026.

[418] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

audits follow standards set by the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board.[419]

2. The Inspector General. The Office of Inspector General (OIG) provides "independent oversight of the Board and the CFPB" (the Consumer Financial Protection Bureau), and its job is "to prevent and detect fraud, waste, and abuse."[420] It does audits, evaluations and criminal investigations.[421] It does not always give the Fed good marks. In an audit dated October 28, 2026, it found the Board's information security program "not effective" under federal measures.[422]

3. The Government Accountability Office. The GAO, Congress's own auditing agency, "conducts numerous reviews of Federal Reserve activities every year," according to the Fed.[423]

4. Congress. The Chair testifies to Congress twice a year on monetary policy, a requirement dating to 1977 and 1978.[424] [425]

What the GAO cannot look at

Here is where the "Audit the Fed" argument comes from. A 1978 law, now found at 31 U.S.C. 714, gave the GAO power to audit the Fed but carved out four areas. GAO audits "may not include":[426]

1. Transactions with foreign central banks, foreign governments and international financing organizations.
2. "Deliberations, decisions, or actions on monetary policy matters," including discount window operations, reserves of member banks, and open market operations.
3. "Transactions made under the direction of the Federal Open Market Committee."

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[419] Board of Governors of the Federal Reserve System, "Federal Reserve System Audited Annual Financial Statements," last updated April 22, 2026, https://www.federalreserve.gov/aboutthefed/audited-annual-financial-statements.htm, accessed November 12, 2026.

[420] Office of Inspector General, Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau, home page, https://oig.federalreserve.gov/, accessed November 12, 2026.

[421] Board of Governors of the Federal Reserve System, "Does the Federal Reserve ever get audited?" FAQ, last updated July 13, 2025, https://www.federalreserve.gov/faqs/about_12784.htm, accessed November 12, 2026.

[422] Office of Inspector General, Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau, home page, https://oig.federalreserve.gov/, accessed November 12, 2026.

[423] Board of Governors of the Federal Reserve System, "Does the Federal Reserve ever get audited?" FAQ, last updated July 13, 2025, https://www.federalreserve.gov/faqs/about_12784.htm, accessed November 12, 2026.

[424] Joy Zhu, "Federal Reserve Reform Act of 1977," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/fed-reform-act-of-1977, accessed November 12, 2026.

[425] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[426] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

4. Discussions among Fed officials and staff about any of the above.

In plain words: the GAO can review how the Fed runs its offices, supervises banks and spends its budget, but it cannot second-guess interest rate decisions or the trades the Fed makes to carry them out. Congress wrote that exclusion on purpose, to keep monetary policy decisions away from political review.

What changed after 2008

Congress opened two windows after the financial crisis:

- In 2009, it let the GAO audit emergency lending under Section 13(3) "with respect to a single and specific partnership or corporation," such as the AIG and Bear Stearns rescues.[427]
- The Dodd-Frank Act of 2010 ordered a one-time GAO audit of all the emergency programs from December 1, 2007, to July 21, 2010, and gave the GAO lasting power to audit future emergency lending facilities.[428] [429]

The GAO's 2011 report on the emergency programs found that loans outstanding "peaked at more than $1 trillion in late 2008." It made seven recommendations to strengthen the Fed's policies, including on conflicts of interest.[430] The often-quoted figure of about $16 trillion is real, but it needs to be read carefully. It comes from Table 8 of the report, which adds up every loan made in the broad programs from December 1, 2007, to July 21, 2010: $16,115 billion in all. The table's own title says the amounts are "Not Term-Adjusted," and the GAO explains that an overnight loan renewed day after day is counted again each day, while a one-month loan is counted once.[431] So it is a running total of loans made, not the amount outstanding at any one time, and not money given away. Part Six tests the claim.

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[427] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

[428] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[429] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

[430] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[431] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), pp. 130-131, Table 8, accessed November 12, 2026.

The "Audit the Fed" bills

"Audit the Fed" bills would remove the exclusions above and let the GAO review monetary policy decisions too. They have come close more than once:

Year	Bill	Sponsor	What happened
2012	H.R. 459, Federal Reserve Transparency Act of 2012	Rep. Ron Paul (R-TX)	Passed the House 327-98 on July 25, 2012; no Senate vote
2014	H.R. 24, Federal Reserve Transparency Act of 2014	Rep. Paul Broun (R-GA)	Passed the House 333-92 on September 17, 2014; no Senate vote
2016	S. 2232, Federal Reserve Transparency Act of 2015	Sen. Rand Paul (R-KY)	Senate vote to move forward failed 53-44 on January 12, 2016 (60 needed)
2025	H.R. 24, Federal Reserve Transparency Act of 2025	Rep. Thomas Massie (R-KY)	Introduced January 3, 2025, 46 cosponsors; referred to committee
2025	S. 2327, Federal Reserve Transparency Act of 2025	Sen. Rand Paul (R-KY)	Introduced July 17, 2025; Senate committee hearing held December 11, 2025

Sources: bill status records from GovInfo, accessed November 12, 2026.[432] [433] [434] [435] [436]

Notice the vote counts. The 2012 and 2014 House votes were lopsided, which means many Democrats voted yes along with Republicans. Audit the Fed has drawn support from both the libertarian right and the progressive left at different times.

The two sides

Supporters say: the Fed controls the most important price in the economy, the interest rate, and it should answer to Congress like any other agency. Former Representative Ron Paul and Senator Rand Paul have led this push for years. The libertarian economist Murray Rothbard, writing for the Mises Institute, called the Fed "accountable to no one."[437] (That is an advocacy source, used here only to show the argument.)

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[432] U.S. Congress, H.R. 459 (112th Congress), Federal Reserve Transparency Act of 2012, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/112/hr/BILLSTATUS-112hr459.xml, accessed November 12, 2026.

[433] U.S. Congress, H.R. 24 (113th Congress), Federal Reserve Transparency Act of 2014, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/113/hr/BILLSTATUS-113hr24.xml, accessed November 12, 2026.

[434] U.S. Congress, S. 2232 (114th Congress), Federal Reserve Transparency Act of 2015, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/114/s/BILLSTATUS-114s2232.xml, accessed November 12, 2026.

[435] U.S. Congress, H.R. 24 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr24.xml, accessed November 12, 2026.

[436] U.S. Congress, S. 2327 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/s/BILLSTATUS-119s2327.xml, accessed November 12, 2026.

[437] Murray N. Rothbard, "The Case Against the Fed," Mises Daily, Ludwig von Mises Institute, June 5, 2009 (excerpt of the 1994 book), https://mises.org/mises-daily/case-against-fed, accessed November 12, 2026.

Opponents say: the Fed's books are already audited every year, and the bills are really about letting Congress pressure interest rate decisions, which is exactly what the 1978 exclusion was meant to prevent. The Fed has long taken this position, and so do many former Fed officials and mainstream economists. I could not open a Fed statement opposing a specific bill in this setup and so do not quote one.

I test "The Fed has never been audited" in Part Six.

Part Four source notes

Sources used in Part Four: the Reserve Banks' 2025 combined financial statements and the quarterly reports for March 31 and June 30, 2026; the Board's press releases on 2021 and 2022 income and remittances; 12 U.S.C. 289 and 31 U.S.C. 714; the Board's FAQ on audits and its page on audited statements; the Office of Inspector General's home page; GAO-11-696; bill status records from GovInfo; Rothbard (advocacy); the Reserve Banks' 2023 combined financial statements; the Board's FAQ on independence and funding; the full text of GAO-11-696 (Table 8).

[Not verified]: a current Fed statement opposing Audit the Fed bills.

Where sources disagree: 2021 net income appears as $107.8 billion in the January 2022 release and $107.9 billion in the January 2023 release; I used the amount remitted, $107.4 billion, which both agree on.

Part Five: Independence and Politics

Chapter 17. How Independent Is the Fed?

The information in this chapter stops at November 12, 2026.

People on every side say they want an "independent" Fed. They often mean different things. Some mean the Fed should be free from the President. Some mean free from Congress. Some critics think "independent" is a polite word for "unaccountable." So let me start with what the law actually says, then walk through how presidents of both parties have tested it.

What independence means in the law

Nothing in the Federal Reserve Act uses the word "independent." The independence comes from a handful of design choices:

- **Long terms.** Governors serve fourteen years, longer than any President can serve.[438] [439]
- **Removal only "for cause."** A governor serves fourteen years "unless sooner removed for cause by the President."[440] The law does not define "cause."
- **Its own money.** The Fed pays its expenses out of its own income (Chapter 15), so it does not depend on yearly spending bills from Congress.[441]
- **No GAO review of monetary policy decisions** (Chapter 16).[442]
- **No Treasury Secretary on the Board.** The 1935 law removed the Treasury Secretary and the Comptroller of the Currency from the Board after 1936.[443]

Independence has limits too. Congress wrote the Fed's law and can rewrite it. The President picks every governor and the Chair. The Senate confirms them. The Chair testifies to

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[438] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[439] 12 U.S.C. 242, "Ex officio members; appointment of members; terms," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/242, accessed November 12, 2026.

[440] 12 U.S.C. 242, "Ex officio members; appointment of members; terms," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/242, accessed November 12, 2026.

[441] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[442] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

[443] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

Congress twice a year.[444] So it is fairer to say the Fed is independent *within* the government, not independent *of* it.

Presidents and the Fed: the record

Here is how presidents of both parties have pushed the Fed, based on what the sources I could open show:

President	Fed Chair	What happened	Source strength
Harry Truman (D)	William McChesney Martin from April 1951	Truman pressed the FOMC to keep rates low in 1951; the White House said the FOMC had pledged support, which the Fed's history says it had not. The Fed won independence in the March 1951 Accord.	Federal Reserve History essay[445]
Lyndon Johnson (D)	William McChesney Martin	Martin raised the discount rate in 1965 over Johnson's objections.	Federal Reserve History profile[446]
Richard Nixon (R)	Arthur Burns	Widely reported pressure for easy money before the 1972 election	[Not verified] in sources I could open
Ronald Reagan (R)	Paul Volcker	Treasury Secretary Donald Regan "directly criticized the Fed's position" in 1981	Federal Reserve History essay[447]
Donald Trump (R), first term	Jerome Powell	Public attacks on rate increases in 2018 and 2019; questions about firing Powell	Reference sources; see below
Donald Trump (R), second term	Powell, then Kevin Warsh	Attempted removal of Governor Lisa Cook; Supreme Court blocked it for now in 2026	Supreme Court opinion[448]

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[444] Joy Zhu, "Federal Reserve Reform Act of 1977," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/fed-reform-act-of-1977, accessed November 12, 2026.

[445] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[446] "William McChesney Martin Jr.," Federal Reserve History, Federal Reserve System, people profile, https://www.federalreservehistory.org/people/william-mcchesney-martin-jr, accessed November 12, 2026.

[447] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[448] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

Two Democrats and three Republicans appear on that list, and the pattern is the same: presidents tend to want lower rates, especially before elections, and Fed chairs tend to resist.

Trump and Powell, 2018 to 2020

President Trump nominated Jerome Powell as Chair in November 2017, and Powell took office February 5, 2018.[449] As the Fed raised rates in 2018, Trump criticized it publicly. Reference sources record him calling the Fed "crazy" and "loco" in October 2018, and calling its policies "insane" and Powell an "enemy" in the summer of 2019.[450] Those quotes were widely reported at the time. I could not open the original transcripts or posts in this setup, so I mark the exact wording [Not verified] and report them only as reported.

The Cook case

The biggest test of the "for cause" rule in the Fed's history came in 2025 and 2026.

What happened. The director of the Federal Housing Finance Agency, Bill Pulte, accused Governor Lisa Cook of falsifying mortgage documents in 2021 by claiming two homes as her main residence.[451] On August 20, 2025, President Trump posted that "Cook must resign, now!!!"[452] On August 25, 2025, he said he was removing her "for cause," writing that he had "reason to believe" she "may have made false statements on one or more mortgage agreements."[453] Cook denied it, calling the allegations "flimsy" and "unproven," and sued.[454]

In the courts. A federal district judge ordered Cook kept in office in September 2025, and the appeals court in Washington declined to pause that order on September 15, 2025.[455] [456]

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[449] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[450] Wikipedia, "Jerome Powell," https://en.wikipedia.org/wiki/Jerome_Powell (used only to locate events; see text), accessed November 12, 2026.

[451] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[452] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[453] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[454] Amy Howe, "Court prevents Trump from firing Fed governor," SCOTUSblog, June 29, 2026, https://www.scotusblog.com/2026/06/court-prevents-trump-from-firing-fed-governor/, accessed November 12, 2026.

[455] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[456] Amy Howe, "Court prevents Trump from firing Fed governor," SCOTUSblog, June 29, 2026, https://www.scotusblog.com/2026/06/court-prevents-trump-from-firing-fed-governor/, accessed November 12, 2026.

Cook took part in the September 2025 FOMC meeting. The government asked the Supreme Court to let the firing take effect. The Court heard argument on January 21, 2026.[457]

The ruling. On June 29, 2026, the Supreme Court denied the government's request, 5 to 4.[458] Chief Justice John Roberts wrote for the majority, joined by Justices Sotomayor, Kagan, Kavanaugh and Jackson. Justices Thomas, Alito (joined by Gorsuch) and Barrett dissented.[459]

Here is what the Court did and did not decide. Read this carefully, because it has been misreported:

- It decided "on the narrow ground that the President failed to afford Cook the procedural protections" the law requires: notice and some chance to respond before being removed.[460]
- It did not decide whether the mortgage allegations were true.
- It did not decide Cook's constitutional due process argument.[461]
- It did not define "cause," though it said the law "counsels a substantial threshold for 'cause.'"[462] [463]
- It was an interim ruling. Cook stays in office "pending the conclusion of litigation."[464] [465]

The Court warned that accepting the government's position "would in effect transform the Federal Reserve's for-cause protection into at-will employment."[466] It also said: "Not only

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[457] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[458] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[459] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[460] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[461] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[462] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[463] Mayer Brown, "Supreme Court Blocks President From Firing Federal Reserve Governor Lisa Cook," June 29, 2026, https://www.mayerbrown.com/en/insights/publications/2026/06/supreme-court-blocks-president-from-firing-federal-reserve-governor-lisa-cook, accessed November 12, 2026.

[464] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[465] Amy Howe, "Court prevents Trump from firing Fed governor," SCOTUSblog, June 29, 2026, https://www.scotusblog.com/2026/06/court-prevents-trump-from-firing-fed-governor/, accessed November 12, 2026.

[466] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

the fact of independence but also the appearance of independence is key to the Federal Reserve's design."[467] The syllabus notes Cook was "the first Governor to be fired in the central bank's 111-year history."[468]

On the same day, in a separate case, Trump v. Slaughter, the Court struck down for-cause removal protection for members of the Federal Trade Commission, according to a law firm's summary of both rulings.[469] The Cook ruling did not reach whether the Fed's own protection is constitutional, because the government did not challenge it.[470] So the Fed was treated differently from other independent agencies, at least for now. I could not open the Slaughter opinion itself and rely on the summary.

The Congressional Research Service published an analysis of the Cook ruling on July 6, 2026.[471] I could open only its listing, not its text.

The 2025 and 2026 pressure on Powell

Reference sources describe more conflict between President Trump and Chair Powell in 2025 and 2026: public calls for Powell's removal in April 2025; a dispute over the cost of renovating the Fed's headquarters; Justice Department subpoenas to the Fed that Powell disclosed in January 2026; a joint statement by former Fed chairs and Treasury secretaries supporting Powell; and a judge quashing the subpoenas in March 2026.[472] I could confirm none of these in a primary source from this setup. I mark all of them [Not verified] and list them only so readers know where to look.

What I can confirm: Powell's term as Chair ended on May 22, 2026, and Kevin Warsh became Chair the same day. Powell remains on the Board as a governor, with a term ending January 31, 2028.[473] [474]

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[467] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[468] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[469] Mayer Brown, "Supreme Court Blocks President From Firing Federal Reserve Governor Lisa Cook," June 29, 2026, https://www.mayerbrown.com/en/insights/publications/2026/06/supreme-court-blocks-president-from-firing-federal-reserve-governor-lisa-cook, accessed November 12, 2026.

[470] Mayer Brown, "Supreme Court Blocks President From Firing Federal Reserve Governor Lisa Cook," June 29, 2026, https://www.mayerbrown.com/en/insights/publications/2026/06/supreme-court-blocks-president-from-firing-federal-reserve-governor-lisa-cook, accessed November 12, 2026.

[471] Jonathan M. Gaffney and Todd Garvey, "Trump v. Cook and For-Cause Removal of Federal Reserve Governors," Congressional Research Service, LSB11449, July 6, 2026, https://www.congress.gov/crs-product/LSB11449, accessed November 12, 2026.

[472] Wikipedia, "Jerome Powell," https://en.wikipedia.org/wiki/Jerome_Powell (used only to locate events; see text), accessed November 12, 2026.

[473] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[474] Board of Governors of the Federal Reserve System, "Jerome H. Powell," biography, last updated May 22, 2026, https://www.federalreserve.gov/aboutthefed/bios/board/powell.htm, accessed November 12, 2026.

What the votes show

One more piece of evidence on independence: look at how the FOMC actually votes. On December 10, 2025, three members dissented, one wanting a bigger cut and two wanting no cut.[475] On October 28, 2026, two members dissented because they wanted a rate increase.[476] One of those two was Lisa Cook, the governor President Trump had tried to remove. Votes like these do not prove the Fed is free of pressure. But they are hard to square with the idea that the Committee takes orders from one person.

Congress and the Fed

Presidents are not the only pressure. Congress has the power to change the Fed's mandate, structure and audit rules at any time, and it has tried: the Audit the Fed votes (Chapter 16), the narrowing of emergency lending in 2010 (Chapter 7), and bills to abolish the Board or bar a digital dollar (Chapter 19). Members of Congress from both parties have criticized the Fed. Progressives have tended to attack it for helping banks and for raising rates in ways that cost jobs. Conservatives and libertarians have tended to attack its size, its bond buying, and its secrecy.

How the Senate has voted on Fed chairs

One way to see politics creeping in is to look at the Senate's votes on chairs. The Senate's own roll call records show these tallies:

Chair	Date of Senate vote	Yeas	Nays
Alan Greenspan (third term)	June 20, 1996	91	7
Alan Greenspan (fourth term)	February 3, 2000	89	4
Ben Bernanke (second term)	January 28, 2010	70	30
Janet Yellen	January 6, 2014	56	26
Jerome Powell (first term)	January 23, 2018	84	13
Jerome Powell (second term)	May 12, 2022	80	19
Kevin Warsh	May 13, 2026	54	45

Sources: Senate roll call votes.[477] [478] [479] [480] [481] [482] [483]

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[475] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," December 10, 2025, https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm, accessed November 12, 2026.

[476] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[477] U.S. Senate, Roll Call Vote 104th Congress, 2nd Session, Vote No. 165, "Confirmation of Alan Greenspan as Chairman, Board of Governors," June 20, 1996, https://www.senate.gov/legislative/LIS/roll_call_votes/vote1042/vote_104_2_00165.htm (vote list read at https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_104_2.xml), accessed November 12, 2026.

[478] U.S. Senate, Roll Call Vote 106th Congress, 2nd Session, Vote No. 6, "Confirmation of Alan Greenspan to be Chairman of the Federal Reserve Board," February 3, 2000,

Do you notice the trend? In 2000, only four senators voted no. Bernanke's second term, right after the 2008 bailouts, drew thirty no votes. Warsh was confirmed with forty-five no votes, the closest margin on this list. Some chairs on the list (Bernanke's first term in 2006, for example) do not appear because I found no recorded roll call for them in the Senate lists I checked. Close votes do not make a chair less legitimate. But they do show that the Fed's leadership has become a more partisan fight than it used to be, and that matters for the independence question, because a chair confirmed on a party-line vote may be seen as one party's pick.

How other countries do it

Is the Fed's setup normal? Here is how four other major central banks describe themselves on their own websites:

Central bank	Main goal, in its own words	Who owns it	A detail worth knowing
Federal Reserve (U.S.)	"maximum employment, stable prices, and moderate long-term interest rates"	Board: no one; Reserve Banks: member banks hold non-voting stock (Chapter 5)	Two main goals, jobs and prices[484]
European Central	"Our job is to maintain price stability," targeting 2 percent	Its capital is "subscribed and paid up by the euro area"	Executive Board members serve one eight-year term and "cannot be

https://www.senate.gov/legislative/LIS/roll_call_votes/vote1062/vote_106_2_00006.htm (vote list read at https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_106_2.xml), accessed November 12, 2026.

[479] U.S. Senate, Roll Call Vote 111th Congress, 2nd Session, Vote No. 16, "Confirmation of Ben S. Bernanke to be Chairman of the Board of Governors," January 28, 2010, https://www.senate.gov/legislative/LIS/roll_call_votes/vote1112/vote_111_2_00016.htm (vote list read at https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_111_2.xml), accessed November 12, 2026.

[480] U.S. Senate, Roll Call Vote 113th Congress, 2nd Session, Vote No. 1, "Confirmation of Janet L. Yellen to be Chairman of the Board of Governors," January 6, 2014, https://www.senate.gov/legislative/LIS/roll_call_votes/vote1132/vote_113_2_00001.htm (vote list read at https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_113_2.xml), accessed November 12, 2026.

[481] U.S. Senate, Roll Call Vote 115th Congress, 2nd Session, Vote No. 19, "Confirmation of Jerome H. Powell to be Chairman of the Board of Governors," January 23, 2018, https://www.senate.gov/legislative/LIS/roll_call_votes/vote1152/vote_115_2_00019.htm (vote list read at https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_115_2.xml), accessed November 12, 2026.

[482] U.S. Senate, Roll Call Vote 117th Congress, 2nd Session, Vote No. 176, "Confirmation of Jerome H. Powell to be Chairman of the Board of Governors," May 12, 2022, https://www.senate.gov/legislative/LIS/roll_call_votes/vote1172/vote_117_2_00176.htm (vote list read at https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_117_2.xml), accessed November 12, 2026.

[483] United States Senate, "Roll Call Votes, 119th Congress - 2nd Session (2026)," vote numbers 115, 116, 117 and 120, https://www.senate.gov/legislative/LIS/roll_call_lists/vote_menu_119_2.xml, accessed November 12, 2026.

[484] Federal Reserve Act, Section 2A, "Monetary policy objectives," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section2a.htm, accessed November 12, 2026.

Central bank	Main goal, in its own words	Who owns it	A detail worth knowing
Bank	inflation over the medium term	national central banks	reappointed"[485] [486]
Bank of England	Keep prices "low and stable," with inflation on or close to "the Government's 2% target"	(Not confirmed on the page I read)	The government sets the target; the Bank was "founded in 1694 to act as banker to the Government"[487]
Bank of Canada	Keep inflation "low, stable and predictable"	A federal "Crown corporation" since 1938, "initially privately owned"	The Bank and the government set the inflation target jointly and renew the agreement every five years[488]
Bank of Japan	"Achieving price stability"	"About 55 percent of the capital is subscribed by the government"	Its law was rewritten in 1997 on "the two principles of 'independence' and 'transparency'"[489]

Two things jump out. First, the Fed is unusual in having employment written into its main goal. The others put price stability first. Second, ownership varies a lot: one is owned by its government, one is part-owned by its government, one is owned by other central banks, and the Fed's Reserve Banks have stock held by private member banks. Nobody's setup proves that one kind of ownership is best, but it does show that "privately owned" and "government owned" central banks can both be independent, and both can be pressured. (I read the European pages partly through a summary tool, and I could not open the Bank of England's governance page, so I leave out details I could not confirm, such as how each bank's leaders are appointed.)

The two sides of independence

	Why independence matters	Why critics push back
Argument	Politicians face elections and tend to want lower rates now, even if that means inflation later. The 1970s showed the cost.	An agency this powerful should answer to voters. "Independence" can shield mistakes from accountability.

[485] European Central Bank, "Monetary policy," https://www.ecb.europa.eu/ecb/tasks/monpol/html/index.en.html, accessed November 12, 2026.

[486] European Central Bank, "Independence," https://www.ecb.europa.eu/ecb/orga/independence/html/index.en.html, accessed November 12, 2026.

[487] Bank of England, "What does the Bank of England do?," last updated March 12, 2026, https://www.bankofengland.co.uk/about, accessed November 12, 2026.

[488] Bank of Canada, "About us," https://www.bankofcanada.ca/about/, accessed November 12, 2026.

[489] Bank of Japan, "Outline of the Bank," https://www.boj.or.jp/en/about/outline/index.htm, accessed November 12, 2026.

	Why independence matters	Why critics push back
Who makes it	Former Fed officials, most mainstream economists, the Supreme Court majority in Cook	Audit the Fed supporters; some presidents of both parties; some progressives on bank regulation

Part Six tests two claims about independence from opposite sides: "The President can fire the Fed Chair at will," and "The Fed is just a puppet of whoever is President."

Part Five source notes

Sources used in Part Five: Senate roll call records for chair confirmations, 1996 to 2026; Trump v. Cook (Justia text of the June 29, 2026 opinion); SCOTUSblog and Mayer Brown summaries; 12 U.S.C. 242; Federal Reserve Act Section 10; Federal Reserve History essays and profiles on the Accord, Martin, Burns, Volcker and the 1935 Act; the Board Members page and Powell's biography; CRS LSB11449 (listing only); Wikipedia's Powell article (to locate events only); FOMC statements of December 10, 2025 and October 28, 2026; the official websites of the European Central Bank, Bank of England, Bank of Canada and Bank of Japan.

[Not verified]: Nixon-Burns pressure from the White House tapes; Trump's exact 2018-2019 wording; all 2025-2026 Powell events beyond his term dates; the Trump v. Slaughter holding (from a summary).

Where sources disagree: Wikipedia's Cook article says the Court found the firing "unconstitutional." The Court's opinion says it decided on statutory notice grounds and did not reach the constitutional question. I followed the opinion. The date of the Pulte letter is given as August 15, 2025 by Wikipedia and as about a week before August 20 by the Court; I gave no exact date.

Part Six: Claims and Theories

Chapter 18. The Verdict Tables

The information in this chapter stops at November 12, 2026.

This chapter tests fifteen claims people make about the Fed. Nine come straight from the most common criticisms. Six I added because they kept coming up in my research, and two of those test claims that defenders of the Fed or of presidential power tend to make, so that every side gets the same treatment.

For each claim I give it the way people actually say it, where it comes from as far as I could trace it, what the records show, and a verdict. The four verdicts mean exactly what the Introduction said: True, Partly true, False (debunked), and Inconclusive. I did not pick any verdict before checking the sources.

Summary table

#	Claim	Verdict
1	"The Fed is a private company owned by banks."	Partly true
2	"The Fed has never been audited."	False (debunked)
3	"A few families secretly control the Fed."	False (debunked)
4	"The Fed was created in secret on Jekyll Island."	Partly true
5	"The Fed caused the Great Depression."	Partly true
6	"The Fed prints money out of thin air to pay the government's bills."	Partly true
7	"The Fed profits off taxpayers."	False (debunked)
8	"The Fed caused the inflation after the pandemic."	Partly true
9	"Ending the Fed and returning to gold would stop inflation."	Inconclusive
10	"The Federal Reserve Act was rushed through while Congress was home for Christmas."	Partly true
11	"The Fed handed out $16 trillion in secret bailouts in 2008."	Partly true
12	"The Fed pays banks billions in interest on reserves, a giveaway."	Partly true
13	"The Fed is building a digital dollar to track your spending."	False (debunked)
14	"The President can fire the Fed Chair at will."	False (debunked)
15	"The Fed is just a puppet of whoever is President."	False (debunked)

1. "The Fed is a private company owned by banks."

How people say it: "The Federal Reserve is no more federal than Federal Express. It's a private bank owned by the big banks." Versions of this line circulate widely online. I did not trace its first use and mark the origin [Not verified].

What the records show:

- The Board of Governors is a federal agency. Its seven members are appointed by the President and confirmed by the Senate.[490]
- The twelve Reserve Banks do issue stock, and member banks are required to buy it, at 6 percent of their capital and surplus.[491] That is the true core of the claim.
- That stock cannot be sold or pledged, pays a dividend capped by law, and carries no vote on monetary policy.[492] [493] [494]
- Profits above the dividend and a capped surplus go to the U.S. Treasury.[495] [496]
- Of the twelve votes on the FOMC, seven belong to presidential appointees.[497]

Verdict: Partly true. The Reserve Banks have private-company features, and member banks really do hold their stock. The usual version leaves out that the stock carries no control over policy and no share of profits beyond a fixed dividend, and that the Board, which holds most of the power, is a federal agency.

2. "The Fed has never been audited."

How people say it: "The Fed has never been audited in its entire history." The "Audit the Fed" movement grew around this idea, led by Representative Ron Paul and later Senator Rand Paul.[498] [499]

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[490] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[491] Federal Reserve Act, Section 5, "Stock Issues; Increase and Decrease of Capital," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section5.htm, accessed November 12, 2026.

[492] Federal Reserve Act, Section 5, "Stock Issues; Increase and Decrease of Capital," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section5.htm, accessed November 12, 2026.

[493] 12 U.S.C. 289, "Dividends and surplus funds of reserve banks," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/289, accessed November 12, 2026.

[494] Board of Governors of the Federal Reserve System, "Who owns the Federal Reserve?" FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_14986.htm, accessed November 12, 2026.

[495] 12 U.S.C. 289, "Dividends and surplus funds of reserve banks," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/289, accessed November 12, 2026.

[496] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[497] Board of Governors of the Federal Reserve System, The Fed Explained: What the Central Bank Does, 11th ed., August 2021, https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf, accessed November 12, 2026.

What the records show:

- An outside accounting firm audits the Reserve Banks every year; for 2025 it was KPMG LLP.[500] [501]
- A separate outside firm, hired by the Inspector General, audits the Board every year.[502]
- The Inspector General audits and investigates the Board's operations.[503] [504]
- The GAO reviews Fed activities every year, and did a full audit of the 2007 to 2010 emergency programs.[505] [506]
- What has never been done is a GAO review of monetary policy decisions and FOMC transactions, because the law forbids it.[507]

Verdict: False (debunked). The Fed is audited every year in several ways. The real issue behind the claim is narrower: the GAO cannot review monetary policy decisions. That is a fair thing to debate, and Chapter 16 lays out both sides. But "never been audited" is wrong.

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[498] U.S. Congress, H.R. 459 (112th Congress), Federal Reserve Transparency Act of 2012, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/112/hr/BILLSTATUS-112hr459.xml, accessed November 12, 2026.

[499] U.S. Congress, S. 2232 (114th Congress), Federal Reserve Transparency Act of 2015, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/114/s/BILLSTATUS-114s2232.xml, accessed November 12, 2026.

[500] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[501] Board of Governors of the Federal Reserve System, "Federal Reserve System Audited Annual Financial Statements," last updated April 22, 2026, https://www.federalreserve.gov/aboutthefed/audited-annual-financial-statements.htm, accessed November 12, 2026.

[502] Board of Governors of the Federal Reserve System, "Federal Reserve System Audited Annual Financial Statements," last updated April 22, 2026, https://www.federalreserve.gov/aboutthefed/audited-annual-financial-statements.htm, accessed November 12, 2026.

[503] Office of Inspector General, Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau, home page, https://oig.federalreserve.gov/, accessed November 12, 2026.

[504] Board of Governors of the Federal Reserve System, "Does the Federal Reserve ever get audited?" FAQ, last updated July 13, 2025, https://www.federalreserve.gov/faqs/about_12784.htm, accessed November 12, 2026.

[505] Board of Governors of the Federal Reserve System, "Does the Federal Reserve ever get audited?" FAQ, last updated July 13, 2025, https://www.federalreserve.gov/faqs/about_12784.htm, accessed November 12, 2026.

[506] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[507] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

3. "A few families secretly control the Fed."

How people say it: "A handful of banking families own the Fed and run the world's money." Some versions name specific wealthy families. I did not trace the claim's first appearance and mark its origin [Not verified].

What the records show:

- Reserve Bank stock is held by member banks, not by individuals or families, and the law forbids its sale or transfer.[508]
- The stock carries no vote on monetary policy.[509]
- Every governor is appointed by the President and confirmed by the Senate, in public.[510]
- FOMC votes are published with each statement, by name.[511]
- I found no record in any source I checked showing any family controlling the Fed.

Verdict: False (debunked). The law, the stock rules and the public voting record all contradict it.

4. "The Fed was created in secret on Jekyll Island."

How people say it: "Bankers met in secret on Jekyll Island and wrote the Federal Reserve Act." The story was first revealed by the journalist B.C. Forbes in 1916, and it was popularized by books such as G. Edward Griffin's *The Creature from Jekyll Island*. I could not open a copy of that book to confirm its edition and date, and cite only its title.

What the records show:

- The meeting happened, in November 1910, and it was kept secret. The participants used a duck hunting cover story and denied it for about twenty years.[512]
- The plan they wrote, the Aldrich Plan, was not passed. Democrats campaigned against it, and progressives blocked it.[513] [514]

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[508] Federal Reserve Act, Section 5, "Stock Issues; Increase and Decrease of Capital," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section5.htm, accessed November 12, 2026.

[509] Board of Governors of the Federal Reserve System, "Who owns the Federal Reserve?" FAQ, last updated May 28, 2026, https://www.federalreserve.gov/faqs/about_14986.htm, accessed November 12, 2026.

[510] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

[511] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[512] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[513] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

- The law that did pass, in 1913, was written by Democrats Carter Glass and Robert Owen with President Wilson, and debated publicly for months. It put a presidentially appointed board in charge.[515] [516]
- The final law's technical details "closely resembled" the Aldrich Plan.[517]

Verdict: Partly true. A secret meeting of bankers and a senator did draft the technical blueprint that shaped the Fed. But the Federal Reserve Act itself was written and passed by a different group, in public, with a different control structure.

5. "The Fed caused the Great Depression."

How people say it: "The Fed caused the Great Depression by shrinking the money supply." This claim comes mainly from Milton Friedman and Anna Schwartz's 1963 history, and is shared by many free-market critics of the Fed.[518]

What the records show:

- The money supply fell by nearly 30 percent from 1930 to 1933, and the Fed did not stop it.[519]
- The Fed raised rates in 1928 and 1929, and failed to act as lender of last resort during the bank panics.[520]
- In 2002, Ben Bernanke, speaking for himself as a Fed governor, said: "You're right, we did it. We're very sorry."[521]

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[514] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[515] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

[516] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[517] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[518] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[519] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[520] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[521] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

- The Fed's own history site says the crash and the Depression also involved other forces: the gold standard, falling spending after the crash, and the collapse of bank credit.[522] [523]

Verdict: Partly true. The Fed's failures were a central cause, and the Fed itself has said so. "Caused," with no other factors, overstates what the record shows. The gold standard and other forces also mattered.

6. "The Fed prints money out of thin air to pay the government's bills."

How people say it: "When the government runs out of money, the Fed just prints more."

What the records show:

- The Fed does create money electronically. When it buys bonds, it pays by crediting banks' reserve accounts, money that did not exist before (Chapter 6).
- The law says the Fed may buy Treasury securities "only in the open market," not directly from the Treasury.[524]
- The Treasury pays its bills from taxes and borrowing from the public.
- But the Fed's huge bond purchases in 2008 to 2014 and 2020 to 2022 did push down the government's borrowing costs and absorb a large share of new federal debt.[525] [526]

Verdict: Partly true. The "out of thin air" part is accurate: the Fed creates reserves when it buys assets. The "to pay the government's bills" part is not how the law works; the Fed cannot buy directly from the Treasury. It is fair to say the Fed's purchases have made government borrowing easier and cheaper.

7. "The Fed profits off taxpayers."

How people say it: "The Fed makes billions off interest that taxpayers pay, and keeps it."

What the records show:

- Much of the Fed's income is interest the Treasury pays on bonds the Fed holds.[527] [528]

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[522] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[523] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[524] 12 U.S.C. 355, "Purchase and sale of obligations of National, State, and municipal governments" (Federal Reserve Act Section 14), Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/355, accessed November 12, 2026.

[525] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

[526] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, March 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm, accessed November 12, 2026.

- After expenses, a capped dividend to member banks and a capped surplus, the Fed sends its earnings back to the Treasury: $107.4 billion for 2021 alone.[529] [530]
- Since September 2022, the Fed has been losing money, not making it, and has sent almost nothing to the Treasury.[531] [532]

Verdict: False (debunked). In normal years, the interest the Treasury pays the Fed comes back to the Treasury, minus costs. The real money that does flow to banks is the capped dividend on Reserve Bank stock and interest on reserves, which claim 12 covers.

8. "The Fed caused the inflation after the pandemic."

How people say it: "The Fed printed trillions and caused the worst inflation in forty years."

What the records show:

- The Fed cut rates to zero in March 2020 and committed to buying at least $700 billion in bonds.[533]
- It kept its target at 0 to 1/4 percent until March 2022.[534]
- Inflation reached 9.1 percent in the year ending June 2022.[535]

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[527] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2021," press release, January 14, 2022, https://www.federalreserve.gov/newsevents/pressreleases/other20220114a.htm, accessed November 12, 2026.

[528] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[529] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2021," press release, January 14, 2022, https://www.federalreserve.gov/newsevents/pressreleases/other20220114a.htm, accessed November 12, 2026.

[530] 12 U.S.C. 289, "Dividends and surplus funds of reserve banks," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/289, accessed November 12, 2026.

[531] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[532] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[533] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, March 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm, accessed November 12, 2026.

[534] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[535] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 18, 2022, https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm, accessed November 12, 2026.

- Its 2020 strategy deliberately allowed inflation to run "moderately above 2 percent for some time."[536]
- Other causes are widely cited too: supply chain disruptions, energy prices, large federal spending, and inflation in many other countries.
- One widely cited study of the causes is by Ben Bernanke, the former Fed Chair, and Olivier Blanchard of the Peterson Institute for International Economics, published by the Brookings Institution in June 2023. They found that "most of the rise in inflation in 2021 and 2022 was driven by developments that directly raised prices rather than wages," such as price jumps in commodities and goods in short supply. They found that federal spending "contributed to the inflation, but primarily through its effects on consumer demand," and that tight labor markets were "beginning to play a more significant role" as those first shocks faded.[537] Keep in mind that Bernanke is a former Fed Chair judging, in part, his own institution's era.
- That study looks at what drove prices and wages. It does not, by itself, measure how much faster the Fed could have stopped the inflation by raising rates sooner. That is the part still argued over, and the companion book on inflation covers it.

Verdict: Partly true. The Fed's policies, keeping rates at zero and buying bonds well after inflation started rising, contributed. Saying the Fed alone "caused" it leaves out other forces that the record shows were also at work.

9. "Ending the Fed and returning to gold would stop inflation."

How people say it: "Before the Fed, the dollar held its value. End the Fed, go back to gold, and inflation stops." Rothbard's *The Case Against the Fed* makes a version of the first half: "What we need is not a totally independent, all-powerful Fed; what we need is no Fed at all."[538]

What the records show:

- The years before the Fed, under the national banking system, had repeated banking panics, in 1873, 1893 and 1907, and a currency that could not stretch when people needed cash.[539] [540]

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[536] Board of Governors of the Federal Reserve System, "FOMC announces approval of updates to its Statement on Longer-Run Goals and Monetary Policy Strategy," press release, August 27, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm, accessed November 12, 2026.

[537] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?," Hutchins Center Working Paper, Brookings Institution, June 13, 2023, https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/, accessed November 12, 2026.

[538] Murray N. Rothbard, "The Case Against the Fed," Mises Daily, Ludwig von Mises Institute, June 5, 2009 (excerpt of the 1994 book), https://mises.org/mises-daily/case-against-fed, accessed November 12, 2026.

[539] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

[540] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

- The Fed era includes both the Great Inflation of 1965 to 1982 and long stretches of low inflation.[541]
- The gold standard spread the Depression from country to country.[542]
- Whether a new gold standard would stop inflation today is a prediction, not a fact that records can confirm or deny.

Verdict: Inconclusive. This is a claim about the future. The historical record cuts both ways: the pre-Fed era had different problems, especially panics, and the Fed era had serious inflation. What would settle it is not a source but an experiment no country is running. The companion book, *Why Everything Costs More*, covers the gold standard in depth.

10. "The Federal Reserve Act was rushed through while Congress was home for Christmas."

How people say it: "They passed it on December 23, when most of Congress had already left for the holidays."

What the records show:

- The Senate adopted the final version on December 23, 1913, 43 to 25, and Wilson signed it that evening.[543]
- Twenty-seven senators were paired or did not vote.[544]
- Senators "rushed to Union Station" after the vote, not before.[545]
- The bill had been debated for months. The House passed its version in September and the Senate debated its own through the fall.[546]

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[541] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[542] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[543] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[544] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[545] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[546] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

Verdict: Partly true. The final vote was two days before Christmas, and more than a quarter of the Senate did not vote. But it was not rushed in secret; the bill went through months of public debate and passed on a near party-line vote.

11. "The Fed handed out $16 trillion in secret bailouts in 2008."

How people say it: "A GAO audit found the Fed secretly gave $16 trillion to banks."

What the records show:

- The GAO's 2011 audit covered emergency programs from December 2007 to July 2010.[547]
- The GAO found loans outstanding "peaked at more than $1 trillion in late 2008."[548]
- The $16 trillion figure is in the report. Table 8 totals $16,115 billion across the broad programs, and the table is labeled "Not Term-Adjusted": a loan renewed overnight is counted again every night.[549]
- Citigroup ($2,513 billion), Morgan Stanley ($2,041 billion) and Merrill Lynch ($1,949 billion) top that table. Foreign banks such as Royal Bank of Scotland, Deutsche Bank and UBS are on it too.[550]
- The Fed's history essay says the emergency credits were repaid in full with interest, apart from a small balance.[551]
- Borrowers' names were withheld at first and released later under Dodd-Frank.[552]

Verdict: Partly true. The Fed made enormous emergency loans, and many details were not public at first. But the "$16 trillion" is a running total of loans made and rolled over, not

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[547] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[548] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[549] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), pp. 130-131, Table 8, accessed November 12, 2026.

[550] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696 (full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), p. 131, Table 8, accessed November 12, 2026.

[551] John Weinberg, "Federal Reserve Credit Programs During the Meltdown," Federal Reserve History, Federal Reserve System, written as of November 22, 2015, https://www.federalreservehistory.org/essays/fed-credit-programs, accessed November 12, 2026.

[552] 31 U.S.C. 714, "Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/31/714, accessed November 12, 2026.

money given away or outstanding at once; the peak outstanding was a little over $1 trillion, and the loans were repaid.

12. "The Fed pays banks billions in interest on reserves, a giveaway."

How people say it: "The Fed pays big banks more than $100 billion a year just to park money."

What the records show:

- In 2025, the Reserve Banks paid about $147.7 billion in interest to depository institutions and others.[553]
- Congress authorized interest on reserves in a 2006 law, made effective October 1, 2008.[554]
- The law caps the rate at "the general level of short-term interest rates."[555]
- The Fed lists it as its main tool for keeping the federal funds rate in its target range.[556]

Verdict: Partly true. Banks really do receive very large interest payments from the Fed, and those payments are why the Fed has been losing money. Whether that is a "giveaway" is an opinion. The payments are set near market rates and are the tool the Fed uses to control interest rates under the system Congress authorized.

13. "The Fed is building a digital dollar to track your spending."

How people say it: "The Fed is about to launch a central bank digital currency, a CBDC, so the government can watch and control every purchase."

What the records show:

- The House passed the Anti-CBDC Surveillance State Act, H.R. 1919, on July 17, 2025, by 219 to 210. It would bar the Fed from issuing a CBDC directly to individuals.[557]
- As of the records I checked, the Senate had not passed it.[558]

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[553] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

[554] 12 U.S.C. 461, "Reserve requirements," including paragraph (b)(12), "Earnings on balances," and the effective-date note for Pub. L. 109-351 as amended by Pub. L. 110-343, Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/461, accessed November 12, 2026.

[555] 12 U.S.C. 461, "Reserve requirements," including paragraph (b)(12), "Earnings on balances," and the effective-date note for Pub. L. 109-351 as amended by Pub. L. 110-343, Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/461, accessed November 12, 2026.

[556] Board of Governors of the Federal Reserve System, "Policy Tools," last updated December 15, 2025, https://www.federalreserve.gov/monetarypolicy/policytools.htm, accessed November 12, 2026.

[557] U.S. Congress, H.R. 1919 (119th Congress), Anti-CBDC Surveillance State Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1919.xml, accessed November 12, 2026.

- On January 23, 2025, Executive Order 14178 prohibited federal agencies, "except to the extent required by law," from "undertaking any action to establish, issue, or promote CBDCs," and ordered any ongoing plans for a U.S. CBDC "immediately terminated."[559]
- The order defines a CBDC as "a form of digital money or monetary value, denominated in the national unit of account, that is a direct liability of the central bank."[560]
- The Fed's FedNow service, launched in 2023, is an instant payment system between banks, not a digital currency.[561]
- In 2022 the Fed published a discussion paper on a possible U.S. CBDC to get public comment. It said plainly: "Importantly, the paper does not favor any policy outcome."[562] Studying an idea is not the same as building it, but this paper is likely where much of the worry started.
- I found no record of the Fed issuing a digital dollar or announcing a plan to issue one.

Verdict: False (debunked). No U.S. digital dollar exists, a 2025 executive order bars federal agencies from creating one, and the House has voted to bar the Fed from issuing one to individuals. One open question: the Fed is an independent agency, and whether a presidential order binds it on this point has not been tested in court. The concern about government tracking is a fair policy debate, but the claim that the Fed is building such a system is not supported by the record I checked.

14. "The President can fire the Fed Chair at will."

How people say it: "The Fed Chair works for the President. He can fire them any time."

What the records show:

- Governors serve fourteen years "unless sooner removed for cause by the President."[563]

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[558] U.S. Congress, H.R. 1919 (119th Congress), Anti-CBDC Surveillance State Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1919.xml, accessed November 12, 2026.

[559] Executive Order 14178, "Strengthening American Leadership in Digital Financial Technology," January 23, 2025, Daily Compilation of Presidential Documents DCPD-202500169, GovInfo, https://www.govinfo.gov/content/pkg/DCPD-202500169/pdf/DCPD-202500169.pdf, accessed November 12, 2026.

[560] Executive Order 14178, "Strengthening American Leadership in Digital Financial Technology," January 23, 2025, Daily Compilation of Presidential Documents DCPD-202500169, GovInfo, https://www.govinfo.gov/content/pkg/DCPD-202500169/pdf/DCPD-202500169.pdf, accessed November 12, 2026.

[561] Board of Governors of the Federal Reserve System, "FedNow Service," last updated July 20, 2023, https://www.federalreserve.gov/paymentsystems/fednow_about.htm, accessed November 12, 2026.

[562] Board of Governors of the Federal Reserve System, "Money and Payments: The U.S. Dollar in the Age of Digital Transformation," discussion paper page, last updated June 10, 2022, https://www.federalreserve.gov/publications/money-and-payments-discussion-paper.htm, accessed November 12, 2026.

[563] 12 U.S.C. 242, "Ex officio members; appointment of members; terms," Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/242, accessed November 12, 2026.

- In Trump v. Cook, on June 29, 2026, the Supreme Court refused to let the President remove Governor Cook while her case continues, and warned that the government's position would turn "for-cause protection into at-will employment."[564]
- Whether a President can remove someone from the Chair role while leaving them a governor is a separate question that no court has decided, as far as the sources I checked show.

Verdict: False (debunked). The law and the Supreme Court's 2026 ruling both reject removal "at will." Removal requires cause and, at minimum, notice and a chance to respond.

15. "The Fed is just a puppet of whoever is President."

How people say it: "The Fed does whatever the President wants, especially before elections."

What the records show:

- Fed chairs have resisted presidents of both parties: Truman in 1951, Johnson in 1965, Trump in 2018 and 2019.[565] [566] [567]
- In October 2026, two FOMC members dissented in favor of higher rates, and the Committee raised rates in September 2026, despite a President who has long called for lower rates.[568] [569]
- Presidents do have real, long-term influence through appointments: every governor and every Chair is chosen by a President.[570]

Verdict: False (debunked). The record shows repeated, public resistance to presidents of both parties. The fair version of the concern is that a President who fills several seats can shape the Fed over time, which is true of the Supreme Court as well.

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[564] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[565] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[566] "William McChesney Martin Jr.," Federal Reserve History, Federal Reserve System, people profile, https://www.federalreservehistory.org/people/william-mcchesney-martin-jr, accessed November 12, 2026.

[567] Wikipedia, "Jerome Powell," https://en.wikipedia.org/wiki/Jerome_Powell (used only to locate events; see text), accessed November 12, 2026.

[568] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[569] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[570] Federal Reserve Act, Section 10, "Board of Governors of the Federal Reserve System," Board of Governors of the Federal Reserve System, https://www.federalreserve.gov/aboutthefed/section10.htm, accessed November 12, 2026.

Part Six source notes

Sources used: all sources cited in Parts One through Five, plus the bill status record for H.R. 1919 and Rothbard (advocacy).

[Not verified]: the origin and first use of claims 1, 3 and 4 in popular form; a current Fed statement on whether it has dropped CBDC research since the 2025 executive order.

Part Seven: Where It Stands and the Options

Chapter 19. The Fed Today, What People Think, and the Reform Options

The information in this chapter stops at November 12, 2026.

The Fed on November 12, 2026

Item	Status as of November 12, 2026	Source date
Federal funds target range	3-3/4 to 4 percent	FOMC statement, October 28, 2026[571]
Last vote	10 to 2; Lisa D. Cook and Beth M. Hammack preferred a 1/4 point increase	October 28, 2026[572]
Last change	+1/4 point, effective September 17, 2026	Rate table, updated September 16, 2026[573]
Interest on reserve balances	3.90 percent	Implementation Note, October 28, 2026[574]
Next scheduled meeting	December 8-9, 2026	FOMC calendar[575]
Chair	Kevin Warsh, since May 22, 2026	Board Members page[576]
Other governors	Philip N. Jefferson (Vice Chair), Michelle W. Bowman (Vice Chair for Supervision), Michael S. Barr, Lisa D. Cook, Jerome H. Powell, Christopher J. Waller	Board Members page[577]
Securities held	About $6.46 trillion (nominal)	H.4.1, November 5,

[571] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[572] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[573] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[574] Board of Governors of the Federal Reserve System, "Implementation Note issued October 28, 2026," https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a1.htm, accessed November 12, 2026.

[575] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

[576] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[577] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

Item	Status as of November 12, 2026	Source date
outright		2026[578]
Losses still to be earned back (deferred asset)	About $235.5 billion (nominal)	June 30, 2026 quarterly report[579]
Cook removal case	Cook stays in office while litigation continues	Supreme Court, June 29, 2026[580]

The Board Members page I used was last updated May 28, 2026. If a governor joined or left between that date and November 12, 2026, this table would not show it. I found no such change in the sources I checked.

What the public thinks

The Pew Research Center asks Americans each year whether they view federal agencies favorably. Its newest survey, of 5,062 adults from September 28 to October 4, 2026, found 48 percent favorable toward the Fed, 29 percent unfavorable and 22 percent not sure.[581]

Year	Favorable	Unfavorable	Not sure
2023	43	37	20
2024	45	32	23
2025	49	28	23
2026	48	29	22

Source: Pew Research Center, "How Americans View Federal Agencies," October 26, 2026. Figures are percentages of U.S. adults.[582]

The party gap has narrowed and flipped direction over the years. In 2023, 32 percent of Republicans and Republican-leaning independents viewed the Fed favorably and 52 percent unfavorably, while 55 percent of Democrats and Democratic leaners viewed it favorably. By 2026, 46 percent of Republicans viewed it favorably, and Democrats' favorable view had

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[578] Board of Governors of the Federal Reserve System, "Factors Affecting Reserve Balances - H.4.1," release of November 5, 2026, https://www.federalreserve.gov/releases/h41/current/default.htm, accessed November 12, 2026.

[579] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Quarterly Financial Report (Unaudited), June 30, 2026," August 28, 2026, https://www.federalreserve.gov/aboutthefed/files/quarterly-report-20260828.pdf, accessed November 12, 2026.

[580] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[581] Pew Research Center, "How Americans View Federal Agencies," fact sheet, October 26, 2026 (survey of 5,062 U.S. adults, September 28 to October 4, 2026), https://www.pewresearch.org/fact-sheet/how-americans-view-federal-agencies/, accessed November 12, 2026.

[582] Pew Research Center, "How Americans View Federal Agencies," fact sheet, October 26, 2026 (survey of 5,062 U.S. adults, September 28 to October 4, 2026), https://www.pewresearch.org/fact-sheet/how-americans-view-federal-agencies/, accessed November 12, 2026.

fallen from 60 percent in 2025 to 53 percent.[583] In Pew's words: "Republicans' views of the Federal Reserve have improved: 46% view it favorably, while 34% view it unfavorably."[584]

Gallup has asked a different question for years: how much confidence Americans have in the Fed Chair "to do or recommend the right thing for the economy." Confidence in Alan Greenspan was 74 percent in 2001. It has not come close since. Ben Bernanke ranged from 39 to 50 percent, Janet Yellen from 37 to 45, and Jerome Powell started at 45 percent in April 2018.[585] I could not open Gallup's newer releases for Powell or Warsh in this setup and mark later Gallup figures [Not verified].

What politicians say

Both parties criticize the Fed, usually from opposite directions, and their positions tend to shift depending on who holds the White House. That pattern shows in the Pew numbers above. In general:

- **Republican and libertarian critics** have focused on auditing the Fed, limiting its bond buying, barring a digital dollar, and in some cases abolishing it. The sponsors of the Audit the Fed and abolition bills in the 119th Congress are all Republicans.[586] [587] [588] [589]
- **Progressive and Democratic critics** have tended to focus on the Fed's role in bank regulation, its rescues of large banks in 2008, and the jobs cost of raising rates.
- **Presidents of both parties** have pushed for lower rates (Chapter 17).

Earlier Audit the Fed votes drew large numbers of Democrats, as Chapter 16 showed. These are general patterns, not rules.

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[583] Pew Research Center, "How Americans View Federal Agencies," fact sheet, October 26, 2026 (survey of 5,062 U.S. adults, September 28 to October 4, 2026), https://www.pewresearch.org/fact-sheet/how-americans-view-federal-agencies/, accessed November 12, 2026.

[584] Pew Research Center, "How Americans View Federal Agencies," fact sheet, October 26, 2026 (survey of 5,062 U.S. adults, September 28 to October 4, 2026), https://www.pewresearch.org/fact-sheet/how-americans-view-federal-agencies/, accessed November 12, 2026.

[585] Gallup, "Americans Lack Confidence in Key Economic Leaders," April 20, 2018, https://news.gallup.com/poll/232730/americans-lack-confidence-key-economic-leaders.aspx, accessed November 12, 2026.

[586] U.S. Congress, H.R. 24 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr24.xml, accessed November 12, 2026.

[587] U.S. Congress, S. 2327 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/s/BILLSTATUS-119s2327.xml, accessed November 12, 2026.

[588] U.S. Congress, H.R. 1846 (119th Congress), Federal Reserve Board Abolition Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1846.xml, accessed November 12, 2026.

[589] U.S. Congress, H.R. 1919 (119th Congress), Anti-CBDC Surveillance State Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1919.xml, accessed November 12, 2026.

The reform options

The master question for this chapter is: what could change, who backs it, and what do neutral analysts say? I list every proposal I could confirm in a primary source, and I make no recommendation.

Proposal	What it would do	Main backers	Status as of my information date
Audit the Fed (H.R. 24, S. 2327)	Let the GAO review monetary policy decisions and FOMC transactions	Rep. Thomas Massie (R-KY), Sen. Rand Paul (R-KY) and cosponsors	H.R. 24 in committee since January 3, 2025; S. 2327 had a Senate committee hearing December 11, 2025[590] [591]
Federal Reserve Financial Accountability and Transparency Act (H.R. 3173)	Changes to Fed accountability and reporting (details not reviewed)	Rep. Roger Williams (R-TX)	In committee since May 1, 2025[592]
Abolish the Board (H.R. 1846, Federal Reserve Board Abolition Act)	Abolish the Board of Governors, as its title says (bill text not reviewed)	Rep. Thomas Massie (R-KY), 11 cosponsors	In committee since March 5, 2025[593]
Bar a digital dollar (H.R. 1919, Anti-CBDC Surveillance State Act)	Stop the Fed from issuing a central bank digital currency directly to individuals	Rep. Tom Emmer (R-MN), 135 cosponsors	Passed the House 219-210, July 17, 2025[594]
Change the mandate	Proposals have included a single mandate of price stability only. A fair test of any such plan: what would it	Various members over the years	No specific 119th Congress bill confirmed in sources I opened

[590] U.S. Congress, H.R. 24 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr24.xml, accessed November 12, 2026.

[591] U.S. Congress, S. 2327 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/s/BILLSTATUS-119s2327.xml, accessed November 12, 2026.

[592] U.S. Congress, H.R. 3173 (119th Congress), Federal Reserve Financial Accountability and Transparency Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr3173.xml, accessed November 12, 2026.

[593] U.S. Congress, H.R. 1846 (119th Congress), Federal Reserve Board Abolition Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1846.xml, accessed November 12, 2026.

[594] U.S. Congress, H.R. 1919 (119th Congress), Anti-CBDC Surveillance State Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1919.xml, accessed November 12, 2026.

Proposal	What it would do	Main backers	Status as of my information date
	tell the Fed to do when inflation is rising and jobs are falling at the same time?		[Not verified]
A rules-based policy	Require the Fed to follow or report against a formula for setting rates	Some members and economists	[Not verified] for the 119th Congress
Change removal protection	Make governors removable at will, or strengthen protection	Debated after Trump v. Cook	No bill confirmed [Not verified]
Keep the current system	Leave the Fed's structure and independence as they are	Former Fed officials and many mainstream economists	Current law

The arguments, in their own words

I want you to hear the strongest version of each side, from people who hold it. These are opinion sources (Tier 5 in this book's scale). I quote them so you can see the argument, not because I endorse it.

The case for abolishing the Fed. The economist Murray Rothbard, writing in a book later excerpted by the Mises Institute, argued that the Fed "is accountable to no one; it has no budget; it is subject to no audit." He called the Fed "itself the heart and cause of the problem" of inflation, and concluded: "What we need is not a totally independent, all-powerful Fed; what we need is no Fed at all."[595] Notice that some of his facts are out of date or disputed: the Fed's financial statements are now audited by outside firms every year (Chapter 16). His core argument, that a central bank causes more harm than it prevents, is a real school of thought with serious defenders, and it is worth taking on its own terms.

The case for a Fed focused on workers. The Roosevelt Institute, writing in May 2026 about the change in Fed leadership, argued that "there's still room to ensure the Fed is accountable to Main Street, not just Wall Street," and pressed for keeping the dual mandate of "stable prices and maximum employment."[596] One of its staff economists complained that a question about full employment at the new Chair's confirmation hearing "went entirely unanswered."[597] This side worries less about audits and more about whether rate increases fall hardest on working people.

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[595] Murray N. Rothbard, "The Case Against the Fed," Mises Daily, Ludwig von Mises Institute, June 5, 2009 (excerpt of the 1994 book), https://mises.org/mises-daily/case-against-fed, accessed November 12, 2026.

[596] Roosevelt Institute, "Lessons for the Federal Reserve," Roosevelt Rundown, May 21, 2026, https://rooseveltinstitute.org/roosevelt-rundown/lessons-for-the-federal-reserve/, accessed November 12, 2026.

[597] Roosevelt Institute, "Lessons for the Federal Reserve," Roosevelt Rundown, May 21, 2026, https://rooseveltinstitute.org/roosevelt-rundown/lessons-for-the-federal-reserve/, accessed November 12, 2026.

The case for keeping things as they are. The Supreme Court majority in Trump v. Cook put the independence argument plainly: "Not only the fact of independence but also the appearance of independence is key to the Federal Reserve's design."[598] Former Fed officials and most mainstream economists make the same point: a central bank that answers to the next election will tend to let inflation run.

I tried to include analysts from several other think tanks across the spectrum, but their sites refused automated reading from my setup. I left them out rather than describe their views secondhand.

What the neutral analysts say

The Congressional Research Service published "Federal Reserve: Policy Issues in the 119th Congress" on January 14, 2026, and an analysis of the Cook ruling on July 6, 2026.[599] [600] Both are the kind of nonpartisan analysis this book prefers. I could confirm their existence, dates and authors through Congress's records, but I could not open their full text from this setup, so I do not summarize their conclusions. I did not find a Congressional Budget Office cost estimate for any of the bills above. Readers who want the neutral analysis should start with those two CRS reports.

How to follow the Fed yourself

You do not need to trust me, the Fed or its critics. Most of what the Fed does is published, on a schedule, for free. Here is what I would watch:

What	When	What it tells you
FOMC statement and Implementation Note	Eight times a year, on decision day	The decision, the vote, and the exact rates[601] [602]
Chair's press conference	After the meeting, on decision day	The Chair's explanation, and reporters' questions[603] [604]

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[598] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[599] Marc Labonte, "Federal Reserve: Policy Issues in the 119th Congress," Congressional Research Service, R48390, January 14, 2026, https://www.congress.gov/crs-product/R48390, accessed November 12, 2026.

[600] Jonathan M. Gaffney and Todd Garvey, "Trump v. Cook and For-Cause Removal of Federal Reserve Governors," Congressional Research Service, LSB11449, July 6, 2026, https://www.congress.gov/crs-product/LSB11449, accessed November 12, 2026.

[601] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

[602] Board of Governors of the Federal Reserve System, "Implementation Note issued October 28, 2026," https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a1.htm, accessed November 12, 2026.

[603] Board of Governors of the Federal Reserve System, "Chairman Bernanke will hold press briefings four times per year to present the FOMC's current economic projections and to provide additional context for policy decisions," press release, March 24, 2011, https://www.federalreserve.gov/newsevents/pressreleases/monetary20110324a.htm, accessed November 12, 2026.

What	When	What it tells you
Summary of Economic Projections	Four times a year (March, June, September, December)	Where each member expects rates, jobs and inflation to go[605]
FOMC minutes	Three weeks after each decision	The arguments inside the room[606]
Beige Book	Eight times a year, about two weeks before meetings	What businesses around the country are telling the Fed[607]
H.4.1 balance sheet	Every week, "typically on Thursday afternoon around 4:30 p.m."	What the Fed owns and owes[608] [609]
Monetary Policy Report	Twice a year, with the Chair's testimony to Congress	The Fed's own account of the economy and its policy[610]
Stress test results	Once a year (late June in 2026)	How the biggest banks would hold up in a severe recession[611]
Combined financial statements	Once a year, with an outside auditor's opinion	The Fed's income, expenses, losses and payments to the Treasury[612]
FOMC transcripts	About five years after the	What was said in the meeting,

[604] Board of Governors of the Federal Reserve System, "Transcript of Chairman Warsh's Press Conference," October 28, 2026, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20261028.pdf, accessed November 12, 2026.

[605] Board of Governors of the Federal Reserve System, "Guide to the Summary of Economic Projections," last updated December 11, 2020, https://www.federalreserve.gov/monetarypolicy/guide-to-the-summary-of-economic-projections.htm, accessed November 12, 2026.

[606] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

[607] Board of Governors of the Federal Reserve System, "Beige Book," last updated October 14, 2026, https://www.federalreserve.gov/monetarypolicy/beige-book-default.htm, accessed November 12, 2026.

[608] Board of Governors of the Federal Reserve System, "Fed's balance sheet," last updated March 7, 2024, https://www.federalreserve.gov/monetarypolicy/bst_fedsbalancesheet.htm, accessed November 12, 2026.

[609] Board of Governors of the Federal Reserve System, "Factors Affecting Reserve Balances - H.4.1," release of November 5, 2026, https://www.federalreserve.gov/releases/h41/current/default.htm, accessed November 12, 2026.

[610] Board of Governors of the Federal Reserve System, "Monetary Policy Report - July 2026: Summary," submitted to Congress July 10, 2026, https://www.federalreserve.gov/monetarypolicy/2026-07-mpr-summary.htm, accessed November 12, 2026.

[611] Board of Governors of the Federal Reserve System, "Federal Reserve Board's annual bank stress test confirms that large banks are well positioned to weather a severe recession and able to continue to lend to households and businesses," press release, June 24, 2026 (last updated July 2, 2026), https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260624a.htm, accessed November 12, 2026.

[612] Board of Governors of the Federal Reserve System, "Federal Reserve Banks Combined Financial Statements as of and for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report" (KPMG LLP report dated March 12, 2026), https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2025.pdf, accessed November 12, 2026.

What	When	What it tells you
	meeting	along with the staff forecasts[613]

A tip from experience: read the statement itself before you read anyone's take on it. It is short. Compare it with the previous one, sentence by sentence. The changed words are the news. And when someone tells you what the Fed "really" meant, check whether the minutes three weeks later back them up.

Where this leaves us

Here is the honest summary, as plainly as I can put it. The Fed was built in 1913 as a compromise between people who did not trust each other, and the argument it was meant to settle has never stopped. It has made big mistakes, by its own account in the Depression and by most accounts in the 1970s and the early 2020s. It has also acted fast in crises that could have been much worse. It is audited, but its central decisions are kept away from political review on purpose. It is not owned by families or controlled by banks in any way the law allows, but banks do hold its stock and earn money from it. And it is independent within limits that presidents and Congress keep testing.

You do not have to like the Fed or hate it. But you can now check the facts behind most of what you will hear about it, and that is the point of this book.

Part Seven source notes

Sources used in Part Seven: the October 28, 2026 FOMC statement, Implementation Note and press conference transcript; the FOMC calendar; the Board Members page; the H.4.1 release of November 5, 2026; the June 30, 2026 quarterly financial report; Trump v. Cook; Pew Research Center (2026) and Gallup polling; bill status records from GovInfo for H.R. 24, S. 2327, H.R. 3173, H.R. 1846 and H.R. 1919; CRS listings for the 119th Congress policy issues report and the Cook analysis; Rothbard's *The Case Against the Fed* (Mises Institute) and the Roosevelt Institute's May 21, 2026 piece (both advocacy, Tier 5); the Board's pages on the Beige Book, the Summary of Economic Projections, transcripts, the balance sheet and the July 2026 Monetary Policy Report; the June 2026 stress test press release.

[Not verified]: the text of the CRS reports (listings only); any 119th Congress bill to change the mandate, require a policy rule, or change removal protection; Board membership changes after May 28, 2026, the date of the Board Members page I used.

Where sources disagree: none found in this part beyond the partisan disagreements the chapter reports.

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[613] Board of Governors of the Federal Reserve System, "Transcripts and other historical materials," last updated January 28, 2022, https://www.federalreserve.gov/monetarypolicy/fomc_historical.htm, accessed November 12, 2026.

Appendix A. Timeline

Date	Event
December 12, 1791	First Bank of the United States opens in Philadelphia[614]
1811	First Bank's charter expires after a failed renewal vote[615]
January 1817	Second Bank of the United States opens[616]
1832	President Jackson vetoes the Second Bank's recharter[617]
1836	Second Bank's federal charter ends[618]
February 25, 1863, and June 3, 1864	National Banking Acts[619]
1873, 1893	Nationwide banking panics[620]
October 1907	Panic of 1907; J.P. Morgan organizes private rescue[621]
May 30, 1908	Aldrich-Vreeland Act creates the National Monetary Commission[622]
November 1910	Secret meeting at Jekyll Island[623]

[614] Andrew T. Hill, "The First Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/first-bank-of-the-us, accessed November 12, 2026.

[615] Andrew T. Hill, "The First Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/first-bank-of-the-us, accessed November 12, 2026.

[616] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[617] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[618] Andrew T. Hill, "The Second Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 5, 2015, https://www.federalreservehistory.org/essays/second-bank-of-the-us, accessed November 12, 2026.

[619] "National Banking Acts of 1863 and 1864," Federal Reserve History, Federal Reserve System (Jason Dunn and David C. Wheelock contributed), published July 31, 2022, https://www.federalreservehistory.org/essays/national-banking-acts, accessed November 12, 2026.

[620] Gary Richardson and Tim Sablik, "Banking Panics of the Gilded Age," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age, accessed November 12, 2026.

[621] Jon R. Moen and Ellis W. Tallman, "The Panic of 1907," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/panic-of-1907, accessed November 12, 2026.

[622] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/federal-reserve-act-signed, accessed November 12, 2026.

Date	Event
January 1911	Aldrich Plan presented[624]
December 23, 1913	Senate adopts the Federal Reserve Act, 43-25; Wilson signs it[625]
October 1929	Stock market crash[626]
March 1933	Banking system collapses; national bank holiday[627]
August 23, 1935	Banking Act of 1935 signed[628]
April 1942	Fed agrees to peg Treasury rates for war finance[629]
March 4, 1951	Treasury-Fed Accord[630]
1965	Martin raises the discount rate over Johnson's objections[631]
1965 to 1982	The Great Inflation[632]
November 1977	Federal Reserve Reform Act sets the mandate[633]

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[623] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[624] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

[625] U.S. Senate Historical Office, "The Senate Passes the Federal Reserve Act," Senate Historical Highlights, United States Senate, https://www.senate.gov/artandhistory/history/minute/Senate_Passes_the_Federal_Reserve_Act.htm, accessed November 12, 2026.

[626] Gary Richardson, Alejandro Komai, Michael Gou and Daniel Park, "Stock Market Crash of 1929," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1929, accessed November 12, 2026.

[627] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-depression, accessed November 12, 2026.

[628] Gary Richardson, Alejandro Komai and Michael Gou, "Banking Act of 1935," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/banking-act-of-1935, accessed November 12, 2026.

[629] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[630] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

[631] "William McChesney Martin Jr.," Federal Reserve History, Federal Reserve System, people profile, https://www.federalreservehistory.org/people/william-mcchesney-martin-jr, accessed November 12, 2026.

[632] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-inflation, accessed November 12, 2026.

[633] Joy Zhu, "Federal Reserve Reform Act of 1977," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/fed-reform-act-of-1977, accessed November 12, 2026.

Date	Event
October 27, 1978	Humphrey-Hawkins Act signed[634]
October 6, 1979	Volcker announces new anti-inflation approach[635]
October 19-20, 1987	Stock market crash; Fed pledges liquidity[636]
December 5, 1996	Greenspan's "irrational exuberance" speech[637]
November 8, 2002	Bernanke: "You're right, we did it."[638]
March 2008	Bear Stearns rescue[639]
September 15-16, 2008	Lehman fails; AIG rescued[640]
October 1, 2008	Interest on reserves takes effect[641]
December 2008	Rates cut to 0 to 1/4 percent[642]
July 21, 2010	Dodd-Frank Act signed[643]
July 21, 2011	GAO audit of emergency programs released[644]

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[634] Aaron Steelman, "Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins)," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/humphrey-hawkins-act, accessed November 12, 2026.

[635] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/anti-inflation-measures, accessed November 12, 2026.

[636] Donald Bernhardt and Marshall Eckblad, "Stock Market Crash of 1987," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/stock-market-crash-of-1987, accessed November 12, 2026.

[637] Alan Greenspan, "The Challenge of Central Banking in a Democratic Society," remarks at the Annual Dinner and Francis Boyer Lecture of the American Enterprise Institute, Board of Governors of the Federal Reserve System, December 5, 1996, https://www.federalreserve.gov/boarddocs/speeches/1996/19961205.htm, accessed November 12, 2026.

[638] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[639] John Weinberg, "Support for Specific Institutions," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/support-for-specific-institutions, accessed November 12, 2026.

[640] John Weinberg, "Support for Specific Institutions," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/support-for-specific-institutions, accessed November 12, 2026.

[641] 12 U.S.C. 461, "Reserve requirements," including paragraph (b)(12), "Earnings on balances," and the effective-date note for Pub. L. 109-351 as amended by Pub. L. 110-343, Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/461, accessed November 12, 2026.

[642] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[643] Keith Goodwin, "Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010," Federal Reserve History, Federal Reserve System, https://www.federalreservehistory.org/essays/dodd-frank-act, accessed November 12, 2026.

[644] U.S. Government Accountability Office, "Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance," GAO-11-696, July 2011, https://www.gao.gov/products/gao-11-696

Date	Event
July 25, 2012	House passes Audit the Fed, 327-98[645]
September 17, 2014	House passes Audit the Fed, 333-92[646]
December 17, 2015	First rate increase since 2006[647]
January 12, 2016	Senate Audit the Fed motion fails, 53-44[648]
February 5, 2018	Powell becomes Chair[649]
March 15, 2020	Rates cut to zero for the pandemic[650]
August 27, 2020	New strategy: inflation averaging 2 percent over time[651]
June 2022	Inflation reaches 9.1 percent[652]
September 2022	Fed begins accumulating a deferred asset[653]
July 2023	Rate peak, 5-1/4 to 5-1/2 percent[654]
July 20, 2023	FedNow launches[655]

(full report read from the copy posted at https://www.sanders.senate.gov/wp-content/uploads/GAO-Fed-Investigation-1.pdf), accessed November 12, 2026.

[645] U.S. Congress, H.R. 459 (112th Congress), Federal Reserve Transparency Act of 2012, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/112/hr/BILLSTATUS-112hr459.xml, accessed November 12, 2026.

[646] U.S. Congress, H.R. 24 (113th Congress), Federal Reserve Transparency Act of 2014, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/113/hr/BILLSTATUS-113hr24.xml, accessed November 12, 2026.

[647] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[648] U.S. Congress, S. 2232 (114th Congress), Federal Reserve Transparency Act of 2015, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/114/s/BILLSTATUS-114s2232.xml, accessed November 12, 2026.

[649] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

[650] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, March 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm, accessed November 12, 2026.

[651] Board of Governors of the Federal Reserve System, "FOMC announces approval of updates to its Statement on Longer-Run Goals and Monetary Policy Strategy," press release, August 27, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm, accessed November 12, 2026.

[652] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 18, 2022, https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm, accessed November 12, 2026.

[653] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces Reserve Bank income and expense data and transfers to the Treasury for 2022," press release, January 13, 2023, https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm, accessed November 12, 2026.

[654] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[655] Board of Governors of the Federal Reserve System, "FedNow Service," last updated July 20, 2023, https://www.federalreserve.gov/paymentsystems/fednow_about.htm, accessed November 12, 2026.

Date	Event
September 2024	First rate cut of the cycle[656]
July 17, 2025	House passes anti-CBDC bill, 219-210[657]
August 22, 2025	Revised strategy statement after 2025 review[658]
August 25, 2025	President attempts to remove Governor Cook[659]
May 22, 2026	Warsh becomes Chair; Powell remains a governor[660]
June 29, 2026	Supreme Court keeps Cook in office for now, 5-4[661]
September 2026	Rates raised 1/4 point to 3-3/4 to 4 percent[662]
October 28, 2026	Rates held; 10-2 vote[663]

[656] Board of Governors of the Federal Reserve System, "Open Market Operations" (table of federal funds rate target changes), last updated September 16, 2026, https://www.federalreserve.gov/monetarypolicy/openmarket.htm, accessed November 12, 2026.

[657] U.S. Congress, H.R. 1919 (119th Congress), Anti-CBDC Surveillance State Act, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/hr/BILLSTATUS-119hr1919.xml, accessed November 12, 2026.

[658] Board of Governors of the Federal Reserve System, "Review of Monetary Policy Strategy, Tools, and Communications: 2025 Review," last updated August 22, 2025, https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications.htm, accessed November 12, 2026.

[659] Supreme Court of the United States, Trump v. Cook, No. 25A312, decided June 29, 2026, via Justia, https://supreme.justia.com/cases/federal/us/609/25a312/, accessed November 12, 2026.

[660] Board of Governors of the Federal Reserve System, "Board Members," https://www.federalreserve.gov/aboutthefed/bios/board/default.htm, accessed November 12, 2026.

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Appendix B. Key People

Person	Role	What they did
Alexander Hamilton	First Treasury Secretary	Proposed the First Bank of the United States[664]
Andrew Jackson	President, 1829-1837	Vetoed the Second Bank's recharter in 1832[665]
J.P. Morgan	Banker	Led private rescues in 1890 and 1907; helped the government in 1895[666] [667] [668]
Benjamin Strong	Banker; later New York Fed leader	Examined Knickerbocker's books in 1907; possibly at Jekyll Island (disputed)[669] [670]
Nelson Aldrich	Senator (R-RI)	Chaired the National Monetary Commission; led the Jekyll Island meeting; Aldrich Plan[671] [672]
Paul Warburg	Banker	Jekyll Island participant; credited by some as the Act's main designer[673]

[664] Andrew T. Hill, "The First Bank of the United States," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/first-bank-of-the-us, accessed November 12, 2026.

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Person	Role	What they did
Frank Vanderlip	President, National City Bank	Jekyll Island participant; wrote about it later[674]
Henry Davison	J.P. Morgan partner	Jekyll Island participant[675]
A. Piatt Andrew	Economist; Assistant Treasury Secretary	Jekyll Island participant[676]
Arthur Shelton	Aldrich's secretary	Jekyll Island participant[677]
Carter Glass	Representative (D-VA)	House author of the Federal Reserve Act[678] [679]
Robert L. Owen	Senator (D-OK)	Senate author of the Federal Reserve Act[680]
Woodrow Wilson	President, 1913-1921	Insisted on a public board; signed the Act[681]
Marriner Eccles	Fed Chair, 1934-1948	Shaped the Banking Act of 1935[682]

[673] Gary Richardson and Jessie Romero, "The Meeting at Jekyll Island," Federal Reserve History, Federal Reserve System, written as of December 4, 2015, https://www.federalreservehistory.org/essays/jekyll-island-conference, accessed November 12, 2026.

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Person	Role	What they did
William McChesney Martin Jr.	Fed Chair, 1951-1970	Negotiated the Accord; resisted Johnson[683] [684]
Arthur Burns	Fed Chair, 1970-1978	Chair as the Great Inflation took hold[685] [686]
G. William Miller	Fed Chair, 1978-1979; Treasury Secretary, 1979-1981	Brief tenure during high inflation[687] [688]
Paul Volcker	Fed Chair, 1979-1987	Broke the Great Inflation[689]
Alan Greenspan	Fed Chair, 1987-2006 (died June 22, 2026, age 100)	1987 crash response; "irrational exuberance"; appointed Chair by four presidents[690] [691] [692] [693] [694]

[683] Jessie Romero, "The Treasury-Fed Accord," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/treasury-fed-accord, accessed November 12, 2026.

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[694] Associated Press, "Former Federal Reserve Chairman Alan Greenspan dies at 100," with contributions from AP Economics Writers Christopher Rugaber and Martin Crutsinger, June 22, 2026, as published by WTOP, https://wtop.com/national/2026/06/former-federal-reserve-chairman-alan-greenspan-dies-at-100/, accessed November 12, 2026.

Person	Role	What they did
Ben Bernanke	Fed Chair, 2006-2014	Depression scholar; led the 2008 response[695] [696]
Janet Yellen	Fed Chair, 2014-2018	First rate increase after the crisis, in 2015[697] [698]
Jerome Powell	Fed Chair, 2018-2026; governor to 2028	Pandemic response and 2022-2023 rate increases[699] [700]
Kevin Warsh	Fed Chair since May 22, 2026	Current Chair[701]
Lisa D. Cook	Governor	Subject of Trump v. Cook[702]
Milton Friedman and Anna Schwartz	Economists	*A Monetary History of the United States* (1963)[703]
Murray Rothbard	Economist (Mises Institute)	*The Case Against the Fed*[704]
Ron Paul	Representative (R-TX)	Led Audit the Fed; 2012 House passage[705]

[695] Ben S. Bernanke, "On Milton Friedman's Ninetieth Birthday," remarks at the Conference to Honor Milton Friedman, University of Chicago, Board of Governors of the Federal Reserve System, November 8, 2002, https://www.federalreserve.gov/boarddocs/speeches/2002/20021108/, accessed November 12, 2026.

[696] Robert Rich, "The Great Recession," Federal Reserve History, Federal Reserve System, written as of November 22, 2013, https://www.federalreservehistory.org/essays/great-recession-of-200709, accessed November 12, 2026.

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Person	Role	What they did
Rand Paul	Senator (R-KY)	Audit the Fed bills in 2015 and 2025[706] [707]
Thomas Massie	Representative (R-KY)	Audit the Fed and Board abolition bills[708] [709]
Chris Dodd and Barney Frank	Senator (D-CT) and Representative (D-MA)	Namesakes of the Dodd-Frank Act of 2010[710]

Janet Yellen's dates as Chair (2014-2018) are drawn from the Gallup trend table, which lists her by year; I did not open her Fed biography.

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[707] U.S. Congress, S. 2327 (119th Congress), Federal Reserve Transparency Act of 2025, bill status, GovInfo, https://www.govinfo.gov/bulkdata/BILLSTATUS/119/s/BILLSTATUS-119s2327.xml, accessed November 12, 2026.

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Appendix C. Glossary

Balance sheet: a list of what the Fed owns (mostly bonds) and owes (mostly bank reserves and paper currency).

Basis point: one hundredth of a percentage point. A 25 basis point change is a quarter point.

Central bank: the bank that holds other banks' reserves, lends to them in a pinch, and manages the nation's money and credit.

Deferred asset: the losses the Fed must earn back before it resumes sending profits to the Treasury.

Discount window: the Reserve Banks' lending to banks, against collateral.

Dual mandate: the common name for the goals Congress gave the Fed: maximum employment and stable prices (along with moderate long-term interest rates).

Federal funds rate: the interest rate banks charge each other for overnight loans of reserves. The FOMC sets a target range for it.

FOMC (Federal Open Market Committee): the twelve-member committee that sets interest rate policy.

Inflation: a general rise in prices over time.

Lender of last resort: a central bank's role of lending to sound banks when no one else will, to stop panics.

Member bank: a bank that belongs to the Federal Reserve System and must hold Reserve Bank stock.

Nominal: in the dollars of the time, not adjusted for inflation.

Open market operations: the Fed's purchases and sales of securities, mainly Treasury securities.

Quantitative easing (QE): large-scale bond buying by the Fed to lower long-term interest rates.

Remittances: the Fed's payments of its profits to the U.S. Treasury.

Reserves: money banks keep in their accounts at the Fed.

Section 13(3): the part of the Federal Reserve Act that allows emergency lending beyond banks.

Solvent: having more assets than debts.

Appendix D. How to Read an FOMC Statement

The FOMC releases a short statement at 2:00 p.m. Eastern time after each meeting. Here is how to read one, using the statement of October 28, 2026.[711] [712]

1. **Find the decision sentence.** Look for "decided to." In October 2026: the Committee "decided to maintain the target range for the federal funds rate at 3-3/4 to 4 percent." "Maintain" means no change. "Raise" or "lower" would mean a change.
2. **Read the view of the economy.** The opening paragraphs describe jobs, inflation and growth. Watch for changed words from the last statement. Markets react to small changes, such as "elevated" becoming "somewhat elevated."
3. **Look for the risks.** The statement usually says which way the Committee thinks risks lean: toward higher inflation or toward weaker jobs.
4. **Check the vote.** The end lists who voted for the decision and who dissented, and what the dissenters wanted. In October 2026, two members wanted a quarter-point increase.
5. **Read the Implementation Note.** This separate document gives the exact rates the Fed set: 3.90 percent on reserve balances, 4.0 percent for the discount window, 3.75 percent for reverse repurchase agreements, and instructions to the New York Fed on buying securities.
6. **Wait for the minutes.** "The minutes of regularly scheduled meetings are released three weeks after the date of the policy decision."[713] Full transcripts, along with the staff forecasts the members saw, are made public "with about a five-year lag."[714]

Four of the eight meetings each year also come with a Summary of Economic Projections. The Fed collects projections from every governor and every Reserve Bank president "four times a year, in connection with the Federal Open Market Committee's (FOMC's) meetings in March, June, September, and December."[715] The chart of dots showing where each participant thinks rates are headed, the famous "dot plot," is part of that release. The December 2026 meeting is one of them.[716]

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[711] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm, accessed November 12, 2026.

[712] Board of Governors of the Federal Reserve System, "Implementation Note issued October 28, 2026," https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a1.htm, accessed November 12, 2026.

[713] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

[714] Board of Governors of the Federal Reserve System, "Transcripts and other historical materials," last updated January 28, 2022, https://www.federalreserve.gov/monetarypolicy/fomc_historical.htm, accessed November 12, 2026.

[715] Board of Governors of the Federal Reserve System, "Guide to the Summary of Economic Projections," last updated December 11, 2020, https://www.federalreserve.gov/monetarypolicy/guide-to-the-summary-of-economic-projections.htm, accessed November 12, 2026.

[716] Board of Governors of the Federal Reserve System, "Meeting calendars, statements, and minutes (2021-2027)," https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm, accessed November 12, 2026.

Two weeks before each meeting, look for the Beige Book. It "is published eight times per year," and in it "each Federal Reserve Bank gathers anecdotal information on current economic conditions in its District."[717] In plain words, it is what business owners, bankers and others around the country are telling the Fed. It is one of the easiest Fed reports for a regular reader to pick up, and it is a good check on whether the Fed is hearing from Main Street. The last 2026 edition was scheduled for November 25, after this book's information date.[718]

[717] Board of Governors of the Federal Reserve System, "Beige Book," last updated October 14, 2026, https://www.federalreserve.gov/monetarypolicy/beige-book-default.htm, accessed November 12, 2026.

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Appendix E. Full Source List

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- 12 U.S.C. 461, "Reserve requirements," including paragraph (b)(12), "Earnings on balances," and the effective-date note for Pub. L. 109-351 as amended by Pub. L. 110-343, Legal Information Institute, Cornell Law School, https://www.law.cornell.edu/uscode/text/12/461.
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