Jekyll Island Clubhouse Tower, 1888

Jekyll & Hide

It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.
Attributed to Henry Ford, 1937

AS AN ELITE GROUP OF WEALTHY financiers disembarked onto a snow-swept train platform in Brunswick, Georgia one cold November night in 1910, local reporters gathered to ask why the men had traveled over a thousand miles in the dead of winter to their nondescript town.

Informed that the group were there on a duck hunting expedition, the reporters retreated to the warmth of their office. In fact, most of those in the well-heeled group couldn't tell one end of a shotgun from the other. But while they had little experience with hunting, they had great expertise in handling inquisitive reporters.

In any case, they were hardly there to hunt ducks. It would be more accurate to say they were there in pursuit of a goose—a goose that would lay golden eggs for themselves and their fellow bankers throughout the following century and beyond.

For the final leg of their journey, the men would travel by car and ferry to the private Jekyll Island Club—not to hunt or play golf, but to draft the blueprint for what would become the Federal Reserve Act of 1913.

The group included U.S. Senator Nelson Aldrich; Assistant Secretary of the U.S. Treasury Abraham Andrew; Frank Vanderlip, president of the powerful National City Bank of New York; and several top executives of the J.P. Morgan banking empire—notably Henry Davison and Charles Norton. The de facto leader of the group was Paul Warburg, representing Europe's Rothschild banking dynasty.

(By monopolizing the railroads, Warburg had become one of the richest men in America, the real-life inspiration for the cartoon character 'Daddy Warbucks.')

Together, these six men represented the world's leading banking consortia: Morgan, Rockefeller, Rothschild, Warburg, and Kuhn-Loeb, and it is said that they controlled as much as one-fourth of the entire world's wealth at that time.

Normally bitter rivals, the group had met to fight a common enemy: competition. The large New York banks were rapidly losing market share to non-national banks, which had sprung up all across the country.

The group sought to pool their reserves in order to solidify and secure their collective financial power, as well as to shift the losses in any future systemic banking collapse from the bank owners to the taxpayers.

After more than a week of intense talks, the group emerged with what would become known as the 'Aldrich Plan.' Calling for a private central bank modeled on Warburg's European model, it laid the groundwork for what was essentially a banking cartel.

Americans had long viewed central banks with suspicion, so it was essential that the scheme be portrayed as a public service. In a stroke of inspiration, they agreed to call it the Federal Reserve—despite the fact that it was neither federal nor held any reserves.

Proponents would argue that the Federal Reserve would lower interest rates and prevent the periodic panics that crippled the economy, disguising its true intent with a smoke screen of legal and technical jargon.

But because many politicians worried that the measure would concentrate too much power in the hands of Wall Street, the bill encountered considerable opposition in Congress, especially among Democrats.

After several failed attempts, Aldrich pushed the bill through Congress on the eve of Christmas recess in 1913, after most members had left on vacation. It was then quickly signed into law by Woodrow Wilson, whose presidential campaign had been largely funded by the banking industry.

Despite its name, the Federal Reserve is not a government-owned entity, but a quasi-public/private monopoly, owned by its shareholders, who receive a dividend on all the money created by the U.S. Treasury and lent out through the banking system.

Heralded by its supporters as a way to disarm the dreaded 'Money Trust', the 'Fed'—as it became known—in fact did the opposite, permanently entrenching power in the hands of a few large Wall Street banks.

The bankers who drafted the Federal Reserve Act and the politicians who engineered its passage were well aware of the outrage that would have followed any public revelation about its true origins.

The motive of the meeting on Jekyll Island was a closely guarded secret until the 1930s, with the participants all staunchly denying that any such gathering even took place.

Ironically, the venue—considered at the time to be the most exclusive private club in the world—would itself fall victim the Great Depression that the Federal Reserve itself would help to bring on. The Club was closed during World War II, when membership in an expensive club became even for the wealthy an impractical extravagance.

Although later reopened as a resort hotel, the Jekyll Island Club would never again be the exclusive playground of the ultra-rich. But to the bankers, that was a small price to pay: In large part due to the scheme birthed there in 1910, the entire nation might now be considered their private country club. ■