Jekyll Island and the Creation of the Fed

Lesson Authors

Marycela Diaz-Unzalu
Lesley Mace

Lesson Description

In this lesson, students will learn about the history of Jekyll Island, the Panic of 1907, the Aldrich-Vreeland Act, the origins and outcomes of the secret Jekyll Island meeting, and the passage of the Federal Reserve Act.

Grade Level

9–12, college

Concepts

The Aldrich Plan
The Aldrich-Vreeland Act
The Federal Reserve Act
The Panic of 1907

Objectives

Students will be able to:

- Identify the causes of the Panic of 1907 and how it was resolved.
- Describe the origin and purpose of the meeting called on Jekyll Island in 1910.
- Describe the main details of the Aldrich Plan.
- Contrast the main details of the Aldrich Plan and the Federal Reserve Act.
- Identify the signer and date of the Federal Reserve Act.

Time required

90 minutes

Materials

PowerPoint slides ("Jekyll Island and the Creation of the Federal Reserve") (https://atlfed.org/38z30QX)
Handouts 1, 2, and 6—one copy per student

Handout 4—cut apart into individual cards

Handouts 3 and 5—one copy each for teacher

One sheet of flip-chart paper labeled Aldrich Plan

One sheet of flip-chart paper labeled Federal Reserve Act

One yellow highlighter and one alternate color of highlighter per group

Tape

Procedure

Instructions for the PowerPoint have been put in *italics*. Content background is in regular type.

1. *Open the PowerPoint presentation.*
2. *Display slide 1.*
3. *Display slide 2: Topics.*

   Introduce students to the topics covered in the lesson.
4. *Display slide 3. Explain the following:*
    - Jekyll Island was first discovered in the 16th century when Spanish explorers landed there searching for New World gold.
    - When the island transferred from Spanish to English control in the 18th century, General James Oglethorpe named the island after his friend Sir Joseph Jekyll, a British parliamentarian and financial supporter of the Georgia colony. (Students may wonder if there were any connection with the famous Robert Louis Stevenson character. There was: a descendant of Sir Jekyll's was an acquaintance of the author.)
    - For much of the 18th century, William Horton, commander of the military post on nearby St. Simons Island, used the island for his residence until its 1790 purchase by the DuBignons, a French family seeking refuge from their country's revolution.
    - In 1886, the family sold the island to the Jekyll Island Club. The club was an exclusive, members-only winter retreat for families with names still recognized today: Vanderbilt, Goodyear, Pulitzer, Macy, Astor, Marshall Field, and Morgan. So prestigious and financially successful were club members that it was often said that they represented one-sixth of the world's wealth at the time. When the clubhouse opened in 1888, members built their own residences, known as "cottages," surrounding the clubhouse to escape northern winters and enjoy such leisurely pursuits as horseback riding, golfing, playing tennis, skeet shooting, and hunting.

More information may be found on the history of the island at the following website:
https://www.jekyllclub.com/about/jekyll-island-history/.

5. *Display slide 4. Explain the following:*
    - Before the club had been open even 20 years, a series of financial panics began to plague the nation, culminating in the Panic of 1907. Like most panics of the era, the 1907 crisis began with the downfall of a prominent financial speculator—in this case, F.A. Heinze.
    - Heinze had financial connections to many major New York City banks, so his collapse in mid-October 1907 created a series of bank runs and bank failures that spread to the stock market and created a severe liquidity crisis. The failure of the Knickerbocker Trust Company, the third largest of its kind in the city, was particularly damaging to the public's faith in the banking system.
    - Because no central bank existed to serve as a lender of last resort, bank clearinghouses in New York City scrambled to keep members solvent as regional banks increasingly withdrew their reserves held in the nation's financial center. Clearinghouses carried out check processing and clearing as well as regulatory duties for their members—functions carried out by the Federal Reserve today. As bank runs and failures continued, and with access to credit dwindling, the panic quickly spread across the nation.

(As an optional activity, have your class participate in the bank run simulation in Lesson 3 of the Federal Reserve

Bank of St. Louis' Great Depression Curriculum, found here: https://bit.ly/what-really-caused-depression).

For additional information, you may go to the following link: https://youtu.be/baW2m9-aJMc, *where you can access a 5:38 minute video about the Panic of 1907 discussed by Tom Cunningham, former vice president, senior economist, and regional executive for the Federal Reserve Bank of Atlanta.*

6. *Display slide 5.*
   Explain the following:
   - The crisis abated only when three events took place:
   - The US Treasury intervened
   - John D. Rockefeller contributed $10 million of his own fortune
   - J.P. Morgan, acting as self-appointed head of the financial system, prevailed on solvent New York City financial institutions, including his own, to extend a total of $25 million in emergency funds.
   - Secretary of the Treasury George Cortelyou's $25 million pledge of government funds shored up deposits in New York City banks, and the efforts of J.P. Morgan prevented a complete shutdown of the city's stock exchanges.
   - Morgan's leadership also included the creation of a public relations campaign to help calm the public's fears about the economy and the financial system. John D. Rockefeller's personal contributions served to bolster the reserves of the National City Bank of New York, ensuring the solvency of the institution which is known as Citibank today.
   - Before the Panic subsided in November, Morgan would oversee additional rescue efforts that included a $30 million purchase of bonds for the city of New York, additional assistance for many of the city's large trusts, and the purchase of the Tennessee Coal Iron and Railway Company by US Steel in a plan that would save the ailing company as well as a major brokerage firm that had ties to the firm.
   - Morgan's efforts were widely praised, but the crisis emphasized the need for a more organized financial structure. The calls for major currency and banking reform ultimately led to the passage of the Aldrich Vreeland Act of 1908, which established a commission tasked with studying the causes of the Panic and developing a plan for a major overhaul of the nation's financial system.
7. *Display slide 6*
   Explain the following:
   - The 1908 Aldrich-Vreeland Act, a legislative response to the recent financial panic, first established a means through which emergency currency could be issued during financial crises. The legislation also established the National Monetary Commission, a body consisting of 18 members, nine each from the US Senate and House of Representatives. This group, chaired by Rhode Island Senator Nelson Aldrich, was given the charge to draft a proposal of reform for the country's banking and financial system.
   - Aldrich and members of his Commission spent two years researching central bank history, gathering ideas as they consulted with leaders from the central banks around the world, particularly those in Europe. Their efforts yielded numerous reports on their findings, but by 1910 the group had still not produced a single piece of legislation for banking reform.
8. *Display slide 7*
   Explain the following:

- To break the gridlock and come up with a draft of the report due to Congress, Senator Aldrich called a private gathering outside of the regular meetings of the Monetary Commission. The attendee list was drawn primarily from the banking industry because it was thought that banking expertise was necessary to produce a feasible plan.
- The group traveled in Aldrich's private train car from New Jersey to Brunswick, Georgia, and then by boat to the remote Jekyll Island location, all under the guise of a private duck hunting retreat. Jekyll Island Club Member J.P. Morgan had granted the group exclusive use of the island for two weeks.
- In a country that was still distrustful of bankers and the so-called Wall Street influence, Aldrich took great care to keep the plan low-key to avoid controversy. Both the first and second Banks of the United States failed in part because of the public's perception that they were controlled by big banking and rich financiers. Members felt that an acknowledged association with Wall Street and the New York banking establishment would mean that any plan conceived at the meeting would be dead on arrival in Washington. To this end, members even traveled by first name only. (Later, the group was sometimes referred to as the "First Name Club.")

9. *Display slide 8.*
   Explain the following:

   Attending the Jekyll Island meeting with Aldrich were:

   - Prominent European banker and Kuhn, Loeb, & Co. partner Paul Warburg, who would later serve on the Federal Reserve's first Board of Governors and whose knowledge of European central banking was crucial to the meeting's success.
   - J.P. Morgan & Co. senior partner Henry Davison.
   - National City Bank of New York president Frank Vanderlip.
   - Banker's Trust of New York vice president Benjamin Strong, who would later head the Federal Reserve Bank of New York.
   - A. Piatt Andrew, Assistant Secretary of the Treasury.

   The group worked around the clock, grappling with questions such as who would own the central bank, how many institutions it would contain, and how open market operations would be conducted. Attendee Frank Vanderlip later wrote in his autobiography, "None of us who participated felt we were conspirators; on the contrary we felt we were engaged in patriotic work."

10. Distribute to each student a copy of Handout 1: "1911 Newspaper Articles."
11. Give students time to read the historical articles "President Urges Reform to Avert Monetary Panics" (*Washington Herald*, June 23, 1911) and "Absolute Power for Money Trust in Aldrich Currency Scheme" (*Commoner Weekly,* July 7, 2011). Both articles report on a speech President Howard Taft made in favor of the Aldrich Plan. (Handout 1 contains transcripts of the articles that have been provided; the reproduction quality of the originals offered by the Library of Congress is poor.)
12. Distribute to each student a copy of Handout 2: "Discussion Questions to Accompany 1911 Newspaper Articles."
13. Give students time to answer the discussion questions.
14. Lead a discussion of the two newspaper articles from 1911.

15. Divide students into four groups. Randomly distribute four cards from Handout 4: "Card Sort Activity" to each group. Give each group one yellow and one alternate color highlighter. Tape two large sheets of paper on opposite walls. Label one "Aldrich Plan" and the other "Federal Reserve Act." Explain the following to students:

    - The *Washington Herald* article reports that President Taft said the Aldrich Plan was careful to avoid the "concentration of power either in Wall Street or in Washington, and that it lacked all the elements which made Jackson oppose the United States Bank."
    - Andrew Jackson opposed the Second Bank of the United States and ultimately vetoed its charter because he believed it was dominated by big banking interests.
    - The headline of the *Commoner* article declares that the "Aldrich Currency Scheme" means "Absolute Power" for the "Money Trust."
    - President Taft also said in his speech that a central bank would be impossible for "political reasons."

16. Tell students to review the excerpts from the Aldrich Plan and the Federal Reserve Act to determine the truth behind the claims in each of the articles. Provide the following instructions:

    - Each group should read their cards and highlight in yellow evidence in the text that supports a power structure favoring bankers. Highlight in the alternate color evidence that supports provisions designed to remove political influence from the organization of a central bank.
    - Groups should tape the cards to either the paper labeled Aldrich Plan or Federal Reserve Act, according to which piece of legislation they believe their card contains an excerpt from.
    - Ask students if they see particular colors that are dominant on either of the sheets. (Yellow should be dominant on the Aldrich Plan poster, with the alternate color dominating the Federal Reserve Act sheet.)

    Explain that the Aldrich Plan was not passed because of concern over its banker-dominated structure. While the Aldrich Plan laid the blueprint for the Federal Reserve Act, many checks and balances were built into the 1913 Federal Reserve Act to remove the central bank from politics and Wall Street influence. (Use Handout 5: "Card Sort Activity Answer Key" to check student answers.)

17. *Display slide 9. Distribute to each student a copy of Handout 6: "Banking Act Summaries."*

    - The results of the efforts on Jekyll Island became known as the Aldrich Plan, which called for a central banking structure consisting of 15 regional banks, known as Reserve Associations. These associations would give emergency loans to member banks, create an elastic currency, and serve as the fiscal agent of the federal government. The Associations would be headed by a governor, appointed by the president for a seven-year term.
    - The Aldrich Plan called for governance of the system by a 45-member board with representation that included the secretaries of Commerce and Labor and Treasury and the Comptroller of the Currency, who served as ex-officio members along with the governor and two deputy governors of the Reserve Associations. Remaining Board members would be elected one each from each of the 15 districts, with 12 additional members elected in a system that allotted votes in accordance with bank members' shares in the Association. These 27 members would then choose an additional 12 members, all non-bankers, to represent industry, commerce, and agriculture. Each of the 15 Reserve Associations would also elect their own boards of directors, with one-third being drawn from outside the banking system.
    - Member banks would be organized into local "associations" drawn along district lines, and an

executive committee of nine would be chosen to share governance with the Board. Reserve Association services would be available all national bank members.

18. *Display slide 10.*

    Explain the following information:

    - When the Aldrich Plan was brought to Congress, concerns over its banker-centered structure resulted in the legislation's defeat, but elements contained in the bill would become a blueprint for the Glass-Owen bill.
    - The Glass-Owen bill would eventually become known as the Federal Reserve Act, which President Woodrow Wilson signed into law in 1913.
    - Like the US Constitution, which represented a compromise between small and large state plans, the Glass-Owen bill brought together elements from the Aldrich plan and the ideas of two opposing congressional camps: one that favored a reserve system and currency owned and controlled by the government, and the other that favored a decentralized system in private hands.
    - The compromise between these groups resulted in the decentralized regional Federal Reserve structure we have today, with 12 regional Reserve Banks overseen by a Board in Washington, DC, which is made up of members appointed by the president and confirmed by the Senate.

19. *Display slide 11.*

    Explain the following information:

    - The Jekyll Island Club had its last season in 1942. The Great Depression had caused membership to dwindle, and the nation began focusing on the war effort.
    - Five years later, the State of Georgia saved the island from condemnation when it purchased it for $675,000 with the intent of opening it as a public park.
    - In 1972, the Jekyll Island Club gained a place on the National Register of Historic Places. Seven years after that, the grounds were designated a National Landmark, creating what is known as the Jekyll Island National Historic Landmark District.
    - Work to restore the clubhouse and 33 historic buildings on the grounds began in 1985 and the clubhouse reopened as a hotel and resort two years later.

Closure and review

20. *Display slide 12.*

    Review the material on the slide with students.

Handout 1: 1911 Newspaper Articles (page 1 of 3)

Washington Herald
Friday, June 23, 1911

"President Urges Reform to Avert Monetary Panics"

Explains Purpose of Aldrich Plan to Banker/PRESENT SYSTEM WEAK/Central Bank Impossible for Political Reasons/People of the Country Would be Unwilling to Trust to Any Private Organization Such Enormous Control, says Mr. Taft in Address at Manhattan Beach- Drinks Toast to King and Queen of England

New York, June 22- President Taft told the members of the New York State Bankers' Association to-night at their banquet at the Oriental Hotel, Manhattan Beach, that some sort of drastic reform is necessary if the effects of monetary panics are to be minimized and if the available reserve of the country is to be used to obviate financial stringency.

Object of Plan

He explained to them with a methodical confidence of speech that the Aldrich plan meant "the establishment of the government of 7,000 national banks on a representative representation basis". He told them it was a careful and well-drawn plan to avoid the concentration of power, either in Wall street or in Washington, and that it lacked all the elements which made Jackson oppose the United States Bank.

The President began by pointing out the weaknesses of our present currency system when an emergency is to be faced. It was to remedy this, he said, that the commission headed by former Senator Aldrich was named. He then spoke of the make-up of that body, saying it was a nonpartisan commission, and expressed the hope the people of the country would trust these recommendations as coming from a nonpartisan body.

After describing the make-up and methods of work of the proposed association, the President said:
"Senator Aldrich, the chairman of the commission, has correctly stated that a central bank in this country would be impossible for political and economic reasons. The people would be unwilling to trust to any private banking organization such enormous control as must be vested in an agency which is to decide as to the concentration of cash reserves and which is to decide upon and provide for the necessary increase and decrease of bank note currency as well as to regulate the liquidation of commercial papers by fixing a uniform discount throughout the country.

Money Kings Barred

He said that such an agency must be made by such constituents that it shall be impossible for money kings in Wall street to control it on the one hand or for political influences by governmental appointment to direct its operations from Washington, and in order to evolve an agency free from the control of either of these influences he proposes and devises in his tentative suggestions to the commission which seem to have been received with favor that he calls a national reserve association.

When President Taft got through talking to the bankers he went to the Manhattan Beach Hotel and plumped right into the middle of the Canadian Club, whose principal guest he was at the club's annual dinner. He walked to his table with Attorney General Wickershan and Senators Crane, of Massachusetts, and Brandegee of Connecticut. They were just in time to hear the President of the United States toast the King and Queen of England. The President made an extempore speech.

Handout 1: 1911 Newspaper Articles (page 2 of 3)

Commoner
Volume 11, Number 26
July 7, 1911

Absolute Power for Money Trust in Aldrich Currency Scheme

The Philadelphia North American, a republican paper, prints the following from its Washington correspondent:

Washington, June 23.- By his indorsement (sic) of the Aldrich plan to place control of the money and credit of the nation absolutely under the control of the Morgan-Wall street financial combination, President Taft has raised another issue between himself and the progressive republicans.

He has presented himself and his administration as a new menace to public interest, shown a new line of agreement between himself and the aggressive money power of Morgan and raised the progressives to a higher plane of public usefulness, as the only effective force the public can absolutely rely upon to resist both that power and the president's efforts to serve it.

Absolute commercial and industrial slavery must follow the adoption of the Aldrich plan, declare the progressives. Its adoption would place the individual credit of every business man and every independent corporation under the supervision and control of a committee to be chosen by the money combination.

It would place in that committee absolute power to determine which individuals and which corporations should be permitted to continue in business. It would make control of all lines of industry and all commercial enterprises subject to the will of the committee.

Anti-trust laws and laws regulating prices, if enacted in the future, would be absolutely puerile and useless as means of public defense once the Aldrich plan is put into effect.

TAFT'S SPEECH AMAZES

The president's speech was read here today with feelings of absolute amazement. In view of the situation in congress and the country, it could only be accepted as a declaration by the president that he takes his stand from now on with the rapidly developing power of the Morgan financial organization and with Aldrich, the special agent of predatory wealth.

It defines the line clearly between the administration as the supporter of the boldest and most iniquitous special privilege scheme of legislation yet produced, and every man who stands for public rights and opportunities for the individual regardless of political affiliations.

Handout 1: 1911 Newspaper Articles (page 3 of 3)

When President Taft two years ago, at the same time he was praising the Aldrich tariff law, declared Aldrich himself to be the ablest statesman in public life respecting all financial questions, there was started the general protest which led to the overwhelming defeat of the Aldrich-Taft wing of the republican party in the election of last fall.

Since then it was thought Mr. Taft had been trying to let the public forget that he ever praised either Aldrich or his law, and his recent activities in behalf of reciprocity with Canada have been recognized by republicans and democrats alike as intended to efface all recollection of his supine submission to Aldrich during the first two years of his administration.

To some extent it had produced that effect. The only praise which any one has recently been able to bestow upon the president has been based on the assumption that he was outlining a policy for himself, and of it were weak and ineffective, it still revealed some desire upon the part of the president to accomplish something for the general welfare.

“THE STANDARD OIL PEOPLE AND THE UNITED STATES STEEL PEOPLE CAN AFFORD TO PAY THE NATIONAL DEBT FOR THE ALDRICH BANK” (Side bar article)

One of the oldest and best known bankers in the country has written to Mr. Bryan a letter in which he says:
“I notice, with regret, that our president committed himself to the central bank, though under another name.
I am not surprised at this, in view of the atmosphere he has breathed for the last few years. I care not what name the institute bears; I care not how widely distributed its stock; I care not the number of local organizations and boards; I care not the number of directors or their geographical distribution; I care not how many names are to be submitted to the president FROM WHOM HE MUST select a governor, the institution that is given exclusive right to issue currency against credits will be under the control of Wall street. The Standard Oil people and the United States Steel people can afford to pay the national debt for the Aldrich bank. Mr. Taft has chosen to make the central bank the issue of the next campaign, for he says it is the most important subject before the country, and that he favors the Aldrich plan.”

Handout 2: Discussion Questions to Accompany Newspaper Articles from 1911

Answer the following questions and be prepared to share your answers during the class discussion.

1. In reading both articles, which article opposes the Aldrich plan? Which one seems to be in favor of it? In looking at the articles, please cite specific words and phrases in the text that support your claims.
2. "President Urges Reform to Avert Monetary Panics." Why does President Howard Taft think monetary reform is needed?
3. Why does President Taft mention Andrew Jackson's opposition to the United States Bank?
4. Why does President Taft think it is important that the monetary commission be bipartisan?
5. Why does President Taft say that Senator Aldrich believed a central bank to be "impossible" in this country? What two influences does Taft say must be avoided?

   "Absolute Power for Money Trust in Aldrich Currency Scheme"

6. Who is the editor of the *Commoner Weekly*?

   Have you heard of this person?

   How was he linked to the Progressives and why would the Progressives oppose central banking?
7. Why does the author in the *Commoner* oppose the Aldrich Plan?
8. Who is the author referring to when he says "Morgan"?
9. What does one of the "oldest and best known bankers" in the country say about the plan in the box to the right of the article? Why do you think that this banker is not identified in the article?
10. Who does the author of the *Commoner* article think will benefit from the banking bill?
11. According to evidence in the articles, what political party do Senator Aldrich and President Taft represent? What political party does the *Commoner Weekly* represent? Do you think politics has any influence over peoples' opinions of the bill?
12. What is meant by the following headlines/subtitles in the articles?
    - "Taft's Speech Amazes"
    - "Present System Weak"
    - "Central Bank Impossible for Political Reasons"
    - "Money Kings Barred"

Handout 3: Teacher Key for Handout 2—Discussion Questions (page 1 of 3)

Have students read both articles, beginning with the *Washington Herald* article. Then have students answer the following questions and prepare to share their answers during the class discussion.

1. In reading both articles, which article opposes the Aldrich plan? Which one seems to be in favor of it? In looking at the articles, please cite specific words and phrases in the text that support your claims.

   The Commoner *opposes the plan; the* Washington Herald *is in favor of it. Possible words and phrases to support these claims:*

   Washington Herald *article:*

   "Avert Money Panics" "Present System Weak"

   "Central Bank Impossible for Political Reasons"

   "Drastic reform is necessary if the effects of monetary panics are to be minimized" "Methodical confidence"

   "Careful and well-drawn plan"

   "It shall be impossible for money kings in Wall Street to control it on the one hand or for political influence by governmental appointment to direct its operations"

   "Received with favor"

   Commoner *article:*

   "Currency Scheme"

   "Absolute power for Money Trust" "A new menace to public interest" "Aggressive money power"

   "Absolute commercial and industrial slavery" "Money combination"

   "Puerile and useless as means of public defense" "Feelings of absolute amazement"

   "Rapidly developing power of the Morgan financial operation" "Aldrich, special agent of predatory wealth"

   "Boldest and most iniquitous special privileges scheme yet produced" "Overwhelming defeat of the Aldrich-Taft wing of the republican party"

   "Mr. Taft had been trying to let the public forget that he ever praised either Aldrich or his law" "Intended to efface all recollection of his supine submission to Aldrich"

   "Weak and ineffective"

2. "President Urges Reform to Avert Monetary Panics." Why does President Howard Taft think monetary reform is needed?
   The present system is weak and reform is needed to prevent future monetary panics; the reserves of the country need to be available to help in times of financial crisis.

3. Why does President Taft mention Andrew Jackson's opposition to the United States Bank? *President Andrew Jackson's opposition to the "United States Bank" (Second Bank of the United States) centered around his belief that is was dominated by big banking and corporations. The opponents of the Aldrich Plan have the same concerns. Between Andrew Jackson's 1832 veto of the charter of the Second Bank of the United States and 1911, when President Taft was speaking, the United States did not have a central bank.*

Handout 3: Teacher Key for Handout 2—Discussion Questions (page 2 of 3)

4. Why does President Taft think it is important that the monetary commission is bipartisan?
   He believes people will be able to trust a plan that is developed by both parties.

5. Why does President Taft say that Senator Aldrich believed a central bank to be "impossible" in this country? What two influences does Taft say must be avoided?
   Senator Aldrich believes that the plan will be opposed due to political and economic reasons. He thinks people will not trust a private banking organization. Taft says influences of the "money kings in Wall Street" and the "political influences by government appointment" must be avoided.

   "Absolute Power for Money Trust in Aldrich Currency Scheme"

6. Who is the editor of the *Commoner Weekly*?
   William J. Bryan

   Have you heard of this person?
   Possible answers: Yes, No

   How was he linked to the Progressives and why would the Progressives oppose central banking?
   William Jennings Bryan was an American politician linked to the populist movement of the late 19th and early 20th century. He opposed the gold standard and advocated for a bimetallic standard. As a populist, he opposed banks and large corporations. He served as Secretary of State under President Woodrow Wilson. The weekly newspaper he established in 1899, the Commoner *(a common nickname for Bryan), supported the Progressive movement of the same era.*

7. Why does the author in the *Commoner* oppose the Aldrich Plan?
   He believes it will put the nation's financial system in the hands of Wall Street and big banking.

8. Who is the author referring to when he says "Morgan?"
   "Morgan" refers to J.P. Morgan, the wealthy American banker and financier who helped rescue America's financial system during the Panic of 1907.

Handout 3: Teacher Key for Handout 2—Discussion Questions (page 3 of 3)

9. What does one of the "oldest and best known bankers" in the country say about the Plan in the box to the right of the article? Why do you think that this banker is not identified in the article?
   The author says that the new central bank will be controlled by Wall Street and corporations such as US Steel and Standard Oil. He is probably not identified because he does not want to be associated with his comments. It is also possible that this "Banker" does not exist.

10. Who does the author of the *Commoner* article think will benefit from the banking bill?
    The big money "combination," Wall Street, and J.P. Morgan.

11. According to evidence in the articles, what political party is represented by Senator Aldrich and President Taft? What political party is represented by the *Commoner Weekly*? Do you think politics has any influence over peoples' opinions of the bill?
    President Taft and Senator Aldrich were Republicans. William Jennings Bryan was a Democrat, but was linked to the Progressive movement. Possible answers to third question: Politics may have some influence over peoples' opinions of the bill; some students may say that politics does not influence opinion on the bill.

12. What is meant by the following headlines/headers in the articles?
    - "Taft's Speech Amazes"
      This headline is meant to be sarcastic; the Commoner*'s writer is amazed that President Taft supports the Aldrich Plan, since he opposes it*.
    - "Present System Weak"
      This is a defense of the Aldrich Plan, since the current financial system is not working, as evidenced by the Panic of 1907.
    - "Central Bank Impossible for Political Reasons"
      President Taft feels that the Aldrich Plan will face heavy opposition from other political parties. This seems evident when you read the Commoner *article.*
    - "Money Kings Barred"
      This headline asserts that the Aldrich Plan will be free of the influence of Wall Street and big banking.

Handout 4: Card Sort Activity (page 1 of 4)

Copy and cut along the lines. Four cards are needed for each of the four groups; 16 cards are provided. Copy additional sets as needed.

1. All subscribing banks shall be formed into associations of banks, to be designated as local associations. Every local association shall have corporate powers and shall be composed of not less than 10 banks.	2. The country shall be divided at first into 15 districts, and a branch shall be located in each district, the location to be determined by the directors of the National Reserve Association.
3. Each local association shall elect annually a board of directors, the number to be determined by the by-laws of the local associations. Three-fifths of that number shall be elected by ballot cast by the representatives of banks that are members of the local association, each bank having one representative and each representative one vote, without reference to the size of the bank.	4. The board of directors of each local association shall elect by ballot one member of the board of directors of the branch. In this manner there will thus be elected as many directors of the branch as there may be local associations in the district in which that branch is located.

Handout 4: Card Sort Activity (page 2 of 4)

5. There shall be chosen by the banks composing each local association a voting representative or proxy holder. In choosing such voting representative each bank shall be entitled to as many votes as it holds shares in the National Reserve Association.	6. The board of directors of a branch will thus be composed of — 1. A group of directors equal in number to the number of local associations composing the district, elected by the local associations, each association having one vote. 2. A group of directors equal to two-thirds of the foregoing group and elected by stock representation. 3. A group of directors equal in number to one-third of the first group, representing the industrial, commercial, agricultural, and other interests of the district, and elected by the votes of the first two groups, each director thus voting having one vote.
7. The board shall at first consist of 45 directors, twelve directors, who shall be elected by voting representatives of the various districts, each of whom shall cast a number of votes equal to the number of shares held by all the banks in the district which he represents.	8. No member of any national or State legislative body shall be a director of the National Reserve Association, nor of any of the branches, nor of any local association.

Handout 4: Card Sort Activity (page 3 of 4)

9. The Government of the United States and those banks owning stock in the National Reserve Association shall be the sole depositors in the National Reserve Association.	10. As soon as practicable, The Reserve Bank Organization Committee, shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, into districts, each district to contain only one of such Federal reserve cities.
11. The moneys held in the general fund of the Treasury, may be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.	12. Board of directors shall consist of nine members, holding office for three years, and divided into three classes. Class A shall consist of three members who shall be chosen by and be representative of the stockholding banks. Class B shall consist of three members, who shall represent the public. Class C shall consist of three members who shall be designated by the Board of Governors, with consideration to the interests of agriculture, commerce, industry, services, labor and consumers. The Board of Governors shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected.

Handout 4: Card Sort Activity (page 4 of 4)

13. The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed.	14. No Senator or Representative in Congress shall be a member of the Board of Governors of the Federal Reserve System or an officer or a director of a Federal reserve bank.
15. Board of Governors shall be composed of seven members, to be appointed by the President, by and with the advice and consent of the Senate.	16. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of class A and one candidate for director of class B.

Handout 5: Card Sort Activity (Answer Key, page 1 of 4)

1. All subscribing banks shall be formed into associations of banks, to be designated as local associations. Every local association shall have corporate powers and shall be composed of not less than 10 banks. (Aldrich Plan)	2. The country shall be divided at first into 15 districts, and a branch shall be located in each district, the location to be determined by the directors of the National Reserve Association. (Aldrich Plan)
3. Each local association shall elect annually a board of directors, the number to be determined by the by-laws of the local associations. Three-fifths of that number shall be elected by ballot cast by the representatives of banks that are members of the local association, each bank having one representative and each representative one vote, without reference to the size of the bank. (Aldrich Plan)	4. The board of directors of each local association shall elect by ballot one member of the board of directors of the branch. In this manner there will thus be elected as many directors of the branch as there may be local associations in the district in which that branch is located. (Aldrich Plan)

Handout 5: Card Sort Activity (Answer Key, page 2 of 4)

5. There shall be chosen by the banks composing each local association a voting representative or proxy holder. In choosing such voting representative each bank shall be entitled to as many votes as it holds shares in the National Reserve Association. (Aldrich Plan)	6. The board of directors of a branch will thus be composed of—1. A group of di-rectors equal in number to the number of local associations composing the district, elected by the local associations, each association having one vote. 2. A group of directors equal to two-thirds of the fore-going group and elected by stock repre-sentation. 3. A group of directors equal in number to one-third of the first group, representing the industrial, commercial, agricultural, and other interests of the district, and elected by the votes of the first two groups, each director thus voting having one vote. (Aldrich Plan)
7. The board shall at first consist of 45 directors, Twelve directors, who shall be elected by voting representatives of the various districts, each of whom shall cast a number of votes equal to the number of shares held by all the banks in the district which he represents. (Aldrich Plan)	8. No member of any national or State legislative body shall be a director of aof any of the branches, nor of any local association. (Aldrich Plan)

Handout 5: Card Sort Activity (Answer Key, page 3 of 4)

9. The Government of the United States and those banks owning stock in the National Reserve Association shall be the sole depositors in the National Reserve Association. (Aldrich Plan)	10. As soon as practicable, The Reserve Bank Organization Committee, shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, into districts, each district to contain only one of such Federal reserve cities. (Federal Reserve Act)
11. The moneys held in the general fund of the Treasury, may be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits. (Federal Reserve Act)	12. Board of directors shall consist of nine members, holding office for three years, and divided into three classes. Class A shall consist of three members who shall be chosen by and be representative of the stockholding banks. Class B shall consist of three members, who shall represent the public. Class C shall consist of three members who shall be designated by the Board of Governors, with consideration to the interests of agriculture, commerce, industry, services, labor and consumers. The Board of Governors shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected. (Federal Reserve Act)

Handout 5: Card Sort Activity (Answer Key, page 4 of 4)

13. The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. (Federal Reserve Act)	14. No Senator or Representative in Congress shall be a member of the Board of Governors of the Federal Reserve System or an officer or a director of a Federal reserve bank. (Federal Reserve Act)
15. Board of Governors shall be composed of seven members, to be appointed by the President, by and with the advice and consent of the Senate. (Federal Reserve Act)	16. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of class A and one candidate for director of class B. (Federal Reserve Act)

Handout 6: Banking Act Summaries (page 1 of 2)

Aldrich Plan

1. All subscribing banks shall be formed into associations of banks, to be designated as local associations. Every local association shall have corporate powers and shall be composed of not less than 10 banks.

2. The country shall be divided at first into 15 districts, and a branch shall be located in each district, the location to be determined by the directors of the National Reserve Association.

3. Each local association shall elect annually a board of directors, the number to be determined by the by-laws of the local associations. Three-fifths of that number shall be elected by ballot cast by the representatives of banks that are members of the local association, each bank having one representative and each representative one vote, without reference to the size of the bank.

4. The board of directors of each local association shall elect by ballot one member of the board of directors of the branch. In this manner there will thus be elected as many directors of the branch as there may be local associations in the district in which that branch is located.

5. There shall be chosen by the banks composing each local association a voting representative or proxy holder. In choosing such voting representative each bank shall be entitled to as many votes as it holds shares in the National Reserve Association.

6. The board of directors of a branch will thus be composed of— 1. A group of directors equal in number to the number of local associations composing the district, elected by the local associations, each association having one vote. 2. A group of directors equal to two-thirds of the foregoing group and elected by stock representation. 3. A group of directors equal in number to one-third of the first group, representing the industrial, commercial, agricultural, and other interests of the district, and elected by the votes of the first two groups, each director thus voting having one vote, each director thus voting having one vote.

7. The board shall at first consist of 45 directors, twelve directors, who shall be elected by voting representatives of the various districts, each of whom shall cast a number of votes equal to the number of shares held by all the banks in the district which he represents.

8. No member of any national or State legislative body shall be a director of the National Reserve Association, nor of any of the branches, nor of any local association.

9. The Government of the United States and those banks owning stock in the National Reserve Association shall be the sole depositors in the National Reserve Association.

Handout 6: Banking Act Summaries (page 2 of 2)

Federal Reserve Act

1. As soon as practicable, The Reserve Bank Organization Committee, shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, into districts, each district to contain only one of such Federal reserve cities.
2. The moneys held in the general fund of the Treasury, may be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.
3. Board of directors shall consist of nine members, holding office for three years, and divided into three classes. Class A shall consist of three members who shall be chosen by and be representative of the stock-holding banks. Class B shall consist of three members, who shall represent the public. Class C shall consist of three members who shall be designated by the Board of Governors, with consideration to the interests of agriculture, commerce, industry, services, labor and consumers. The Board of Governors shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected.
4. The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed.
5. No Senator or Representative in Congress shall be a member of the Board of Governors of the Federal Reserve System or an officer or a director of a Federal reserve bank.
6. The Board of Governors shall be composed of seven members, to be appointed by the President, by and with the advice and consent of the Senate.
7. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of class A and one candidate for director of class B.