The Panic of 1907

The catalyst for the Federal Reserve Act of 1913

The mother of all insider trades was pulled off in 1815, when London financier Nathan Rothschild led British investors to believe that the Duke of Wellington had lost to Napoleon at the Battle of Waterloo. In a matter of hours, British government bond prices plummeted. Rothschild, who had advanced knowledge thanks to a carrier pigeon, then swiftly bought up the entire market in government bonds, acquiring a dominant holding in England's debt for pennies on the pound. He pulled it off using bluff and deceit. After shrewdly commencing his day's trading selling his shares, thus triggering a state of panic selling on the floor, he later ended the day wrapping up everything he could get his hands on for a fraction of their worth. Once Napoleon's defeat made headlines, the stock market flourished. Over the course of the nineteenth century, N. M. Rothschild would become the biggest bank in the world, and the five brothers would come to control most of the foreign-loan business of Europe.

In the United States a century later, a banker, John Pierpont Morgan, used deceit and innuendo to create a panic that would change the course of history. The panic of 1907 was triggered by rumours that a major bank, the Knickerbocker Trust Company, was about to become insolvent. Later evidence would point to the House of Morgan as the source. So cataclysmic was this financial panic that, the general public would be lured into thinking that the only way to stabilize banking would be via a central authority.

In believing the rumours, the public proceeded to make them come true by staging a run on the banks. The saviour would be J. P. Morgan, who nobly stepped in to avert the panic from going any further by injecting hundreds of millions of dollars into the financial institutions, like the Trust Company of America. The public became convinced that the country was in dire need of new mechanisms to prevent future panics, thus overcoming previously strong congressional opposition to any legislation allowing for a central banking system to emit money and control its supply. Years later, in 1913, the Federal Reserve Act was passed as a consequence of the deceptions which were orchestrated by very wealthy financiers. The economy was destabilized by calling in loans and not issuing new ones, triggering a series of panics.

The money trust pounced on the notion that, the only way to restore the country back to economic stability and prosperity was centralization under the exclusive control of the banks. Critics hold that the Federal Reserve System owes its creation to the crash. *Economics 8th Edition*, a widely-used textbook written by Paul A. Samuelson, posits:

"It [the Fed] sprang from the Panic of 1907, with its alarming epidemic of bank failures…the country was fed up once and for all with the anarchy of unstable private banking."
~ Paul A. Samuelson

By 1908, the panic was over. Woodrow Wilson, the President of Princeton University at the time, and, a future President of the United States, hailed J. P. Morgan as a hero:

"All this trouble could be averted if we appointed a committee of six or seven public-spirited men like J. P. Morgan to handle the affairs of our country."
~ Woodrow Wilson

J. P. Morgan is now widely believed to have been an agent in the United States for overseas bankers. Upon his death in 1913, Morgan merely held 19% of his own net worth; an estate worth U.S. $68.3 million, where circa U.S. $30 million represented his share in the New York and Philadelphia banks. His art collection was estimated at U.S. $50 million. The bulk of the securities that most people thought he owned were in fact owned by others.

Robert Owens, a co-author of the Federal Reserve Act, later testified before Congress that the money trust had conspired to create a series of financial panics in order to rouse the people to demand "reforms", which served the interests of these financiers. A century later, JPMorgan Chase & Co. (now one of the two largest banks in the United States) may have pulled this ruse off again, once more changing the course of history.

"Remember Friday March 14, 2008," wrote Martin Wolf in The Financial Times; *"it was the day the dream of global free-market capitalism died."*