

Wall Street Against Wheat Fields: Redistributive Politics from the Fed's Founding to Roosevelt's Devaluation

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Abstract

This paper examines the early history of the Fed and interprets it as a struggle among competing economic interests for control over the monetary system. Conceived in 1913 as a compromise between advocates of centralized finance and champions of regional representation, the new central bank quickly became dominated by the financial priorities of New York and the Treasury. Wartime finance and the discovery of open-market operations reinforced this orientation, channeling liquidity to money markets rather than rural banks. In the 1920s, the congressional farm bloc mounted a sustained campaign to redirect credit toward agriculture through legislation such as the Agricultural Credits Act of 1923, but the Fed's administrative discretion neutralized these efforts. Only with the onset of the Great Depression did the farm bloc finally secure monetary relief, not through the Fed itself but through Roosevelt's gold devaluation of 1933. Tracing these episodes from founding to crisis, the paper argues that the formative decades of the Fed reveal a contest between financial and agrarian coalitions to harness the redistributive capabilities of money creation.