



# Retrospectives: Economists and the Fed: Beginnings

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## Abstract

As usually understood, the significant debate over the founding of the Fed was between advocates of the real bills doctrine and advocates of the quantity theory of money. This understanding however conflates two different distinctions: one between the banking principle and the currency principle, and one between self-regulation and active management. It also fails to take seriously both the context of practical experience with the national banking system and the developing practical experience inside the Fed. I propose a new interpretation focused mainly on the contributions of four economists: J. Laurence Laughlin, Irving Fisher, Paul Warburg and Benjamin Strong.

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