TREASURY HISTORICAL ASSOCIATION
April 2019

NEWSLETTER

Inside this Newsletter . . .

THA Lecture Series

In March, Elizabeth Samet provided new insights into the life and character of Ulysses S. Grant, whose inaugural ball was held in the Cash Room, March 4, 1869. Her new book, *The Annotated Memoirs of Ulysses S. Grant,* has been praised for providing insightful historical and cultural context.

February's speaker, David Singerman, received the 2018 "1500 Penn" Prize for his essay on 19th century sugar tariffs.

In December, Gregory May, author of an important new biography of Albert Gallatin, gave a lecture on Gallatin and why and to what extent Jeffersonian Republicans dismantled Hamilton's fiscal system. May generously contributed an article based on his talk for this issue of the newsletter.

Mark your calendar for these confirmed future THA lectures:

June 26 – Dr. Kate Elizabeth Brown, assistant professor of history at Western Kentucky University and a National Hamilton Scholar, will discuss her new book: *Hamilton and the Development of American Law*.

Brown explores how Hamilton, as one of the early republic's most celebrated and successful lawyers, influenced the substance of American law in its formative period. By studying Hamilton's private practice, as well as his public service as the first secretary of the U.S. Treasury, Brown reveals his legal legacy, including his shaping of due process rights, federalism and states' concurrent power, collaborative federal executive and judicial powers, and his most lucrative specialty: the law of marine insurance.

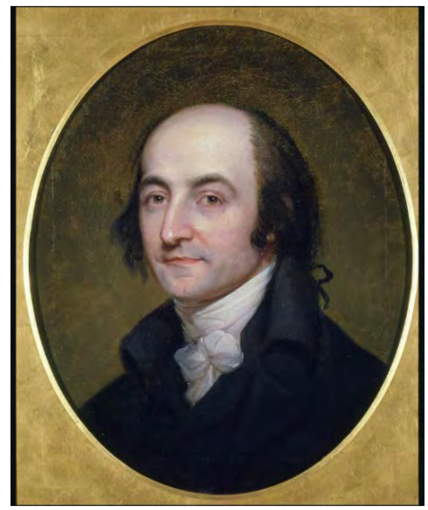
July 17 - To mark the 75th anniversary of Bretton Woods, Kurt Schuler will speak on a Treasury-sponsored conference in Atlantic City, NJ that laid the groundwork for the 1944 Bretton Woods conference. Schuler has been an economist in the Office of International Affairs for 15 years. The talk will be based on his forthcoming book on the conference.

All are welcome to attend our lectures. Those who do not have a Treasury Building pass need to arrange clearance into the Treasury Building one week in advance. Notices are sent several weeks in advance to THA members.

Albert Gallatin and a Nation Free from Debt

By Gregory May

When Thomas Jefferson appointed Albert Gallatin to be Secretary of the Treasury, the Federalists who had controlled the government under Presidents Washington and Adams braced for the worst. They had just lost the presidency for the first time. They had also lost their majority in Congress. And now Jefferson was putting the man who had led the Republican Congressional opposition in charge of the largest and most powerful department of government.



Albert Gallatin by Rembrandt Peale, 1805. Courtesy of Independence National Historical Park.

The Federalists knew this fellow Gallatin all too well. He was a foreigner with a bad accent, a tax rebel, and a dangerously clever man. It was objections to Alexander Hamilton's financial policies that had sparked the Republican opposition in the first place—and this man Gallatin had become the most vocal critic of Hamilton's system. Gallatin's resistance to taxes, federal spending, and public debt was relent-less. Now he could turn those objections into policy. At the very least, he would starve the army and navy in order to repay the debt. The Federalist vision of a vigorous American nation state would simply fade away.

Everyone knows about the great battle between Hamilton and Jefferson over financial affairs. Historians know that Madison and Gallatin did most of the fighting for the Jeffersonians. And we all know that the Jefferson crowd finally won. But to under-stand what they did with their victory, we must take a closer look at Albert Gallatin. He was the man who tackled the arrangements that Hamilton had left behind, and in fact, the changes that he made were profound.

Hamilton never committed to repay the government's debt on any particular schedule. Gallatin committed to repay a fixed amount of the principal each year, and he gave that payment priority over all other federal spending. Gallatin insisted that the government should never spend more than it earned except in wartime. He got rid of internal taxes and abolished the internal revenue system. He paid for the government with the revenue from import duties. Import duties had been the principal source of federal revenue from the beginning. And ordinary citizens tolerated them more easily than internal taxes because—in what was still largely a subsistence economy—most citizens bought few imported goods.

Hamilton was irate. In a long series of newspaper articles, he lambasted Gallatin and the other Republicans for pandering to the people and destroying the financial arrangements needed to make the country strong. He claimed that Gallatin's obsesssion with debt repayment would "sink the government," and he sneered that Gallatin's reforms would not even be possible if Hamilton himself had not already stabilized the government's finances.

But Jefferson was delighted with what Gallatin had done. The financial path ahead of us is "so quiet," he rhapsodized to a friend, "that we have . . . scarcely [anything] to propose to [Congress]." Some might carp—he said in a swipe at Hamilton—that it was they who raised the money that made it possible for us to pay off the debt, but "[w]e never charged them with [failing to raise money]," only "with the misapplication of it." After giving back the surplus, he said, "we [can] do more with a part than they did with the whole."

Gallatin did manage the government's money efficiently during his first eleven years at the Treasury. He financed the Louisiana Purchase and repaid nearly half of the debt he had inherited. "Peace, economy, and riddance of public debt" was Jefferson's mantra, and Gallatin tried to turn those aspirations into reality.

But Gallatin's frugality had a heavy price. The United States was a weak young nation on the fringe of an Atlantic world dominated by Britain and France, and those two great powers were at war with each other for the first twenty-five years of the federal government's existence. America's distance from Europe gave the United States some breathing room, but not enough. Once Britain and France turned to trade disruption in order to weaken each other, collateral damage to vital American interests was unavoidable. Yet despite this obvious threat, Gallatin insisted on giving the repayment of the public debt unquestioned priority over military preparations.

Gregory May by Gallatin Portrait in the Treasury Building, after his December 18 THA lecture.

It was an expensive decision. When the United States finally declared war on Britain in 1812, the federal government was not prepared. It had only 7,000 men in the army and 17 ships in the navy. Its revenue depended almost entirely on taxes from Atlantic trade, which the war was going to strangle. Congress rejected Gallatin's call to reimpose the internal taxes that the Republicans had repealed because they thought those taxes would make the war unpopular. And lenders—many of whom opposed the war—hesitated to give Gallatin the enormous loans he needed because they didn't believe he could collect enough revenue to repay them.

The consequences were predictable. American attacks on British Canada during the first year of the war failed. Tax revenues plummeted, federal debt skyrocketed, and the Treasury started to run out of money. Gallatin left for Europe to seek peace with Britain. After he left, Congress did reimpose the taxes he had requested. But it was too late. British troops invaded Washington and burned the public buildings. Although American defenders drove British invaders out of Baltimore harbor and off Lake Champlain, American forces made little progress elsewhere. The Treasury ran out of money, and the government defaulted on its bonds.

After the war, younger members of the Republican party — such as Henry Clay and John C. Calhoun, who was then a strong nationalist—pushed for federal spending on measures needed to make the country stronger. They wanted a larger peacetime army, roads and canals into the interior, a national bank, and higher tariffs to encourage domestic manufacturing. But a financial panic in 1819 gave this progressive Republican agenda a staggering blow. Money grew scarce, and voters got testy.

Congressional Republicans reverted to Gallatin's frugal ways in order to retain the political support of hard-pressed farmers. Andrew Jackson's presidential victory nine years later clinched the switch back. Jackson ran for office as a man of the people committed to the old Republican policies of retrenchment and fiscal reform. And Jackson meant what he said. Twenty years after Gallatin had left the Treasury, Jackson could crow that the federal government had repaid the last dollar of its debt.

The United States has never again been free from debt, and the country we know today is quite different from the emerging nation in which Albert Gallatin and Alexander Hamilton lived. We have a highly developed economy and a complex financial system. We long ago embraced central banking and deficit finance as matters of policy. And although the fiscal de-bates of the Founding era still resonate, our world obviously resembles the one Hamilton anticipated far more than the one Gallatin had in mind. But that is what makes Gallatin so important to our under-standing of the turmoil at the American founding. It is through him that we can better understand what the fuss was all about—and why it took the nation a hundred years to accept a federal financial system we now take for granted.

This article is based the December 18, 2018 THA Lecture by Gregory May, author of JEFFERSON'S TREASURE: How Albert Gallatin Saved the New Nation from Debt.

New Books on Treasury People and History

Here are some recent books about Treasury history by recent or upcoming THA lecture speakers or by other Treasury-related people that may be of interest. These are generally available on-line and at some local bookstores.

Hamilton and the Development of American Law. Kate Elizabeth Brown, 2017: 978-0-7006-2480-5

Just before Bretton Woods: The Atlantic City Financial Conference, June 1944*,* Gabrielle Canning and Kurt Schuler. Forthcoming after Kurt's July THA talk. More on Bretton Woods is available at: http://external.worldbankimflib.org/Bwf/60panel2.htm

The Annotated Memoirs of Ulysses S. Grant, Elizabeth Samet, A Liveright book, W.W. Norton & Co., Inc., 2018: 978-1631492440

Firefighting: The Financial Crisis and Its Lessons *by* Ben S. Bernanke, Timothy F. Geithner, and Henry M. Paulson Jr:, 2018: 978-0143134480:

The Federal Reserve and Its Founders: Money, Politics, and Power *by* Richard Naclerio, 2018: 978-1788210782

THA's Past President Abby Gilbert Honored During Public Service Week

Long-time THA Board member and Past President Abby Gilbert was honored during Public Service Week for her 55 years of Service by Director of the United States Mint David J. Ryder. She received a standing ovation from her Mint colleagues and was presented a specially-made gold pin that was inscribed "55 years," as well as an Alexander Hamilton Medal and a framed Commendation Certificate. She has been a THA member since 1975, a Board member since 1977 and President for 1988-89 and 1990-91.

With the exception of a brief summer internship at NASA, all of Abby's 55 years have been in the Treasury Department, serving in the Office of the Comptroller of the Currency, the Office of the Treasurer of the United States, International Affairs (when it was known as OASIA), Economic Policy, and is now at the United States Mint Headquarters.

A native of Philadelphia, PA - more specifically the most historic section of the city, near Independence Hall and the Liberty Bell, Abby was always intensely interested in and appreciative of our Nation's history.

Considered by many to be the "unofficial historian of the Treasury Department," she has performed extensive research and prepared many reports and articles on the history of Treasury offices and bureaus and related program and policy topics. Working with Treasury bureau representatives, she prepared a historical chronology of "firsts" by women in the Treasury Department, "Treasury Women, 1795-1975," as part of the Treasury Department's celebration of America's Revolutionary Bicentennial in 1976. She also prepared a chronology about women in the United States Mint in 2012. She researched and wrote "The Treasury Department" for *A Historical Guide to the U.S. Government*. Among her published articles is one on the history of the Freedman's Bank. She has also done prodigious work on the Treasury oral history project, including interviews, fact-checking, and preparing biographies and background material. Among the interviewees are Roy Blough and former Secretary Joseph Barr.

THA adds its congratulations to the Mint's for Abby's 55 years of public service in the Department of the Treasury.

2019 THA Officers, Board Members & Committees

Within the last year, THA has welcomed former Curator Richard Cote and Librarian Andy Young as new board members.

Officers:

Board Chairman: Thomas P. O'Malley (Books and Marketing)
President: Deval Mehta (Website Management)
First Vice President: Michael Caires (Academic Outreach)
Second Vice President: Franklin Noll (Lecture Program)
Secretary: Lori Santamorena (Combined Federal Campaign)
Treasurer: David Monroe (Finance)

Board Members:

Gerald Auten (Newsletter)
Cora P. Beebe Fosdick (Membership)
Richard Cote (Speaking/Writing on Campaign Projects)
Abby L Gilbert (Oral Histories)
Gary Grippo (New Product Marketing)
Louis A. Margaglioni (Development Campaign)
George P. Sigalos (Publicity)
Alan J. Wilenski (Membership)
Jeffrey P. Wishneski (Development Campaign)
Andrew F. Young (Lecture Program)

1912 Cooking Prohibition in the Treasury Building

As the Treasury Building reaches its 150th Anniversary of its completion, it is interesting to review documents of past practices and activities in this National Historic Landmark, such as the following notice:

PROHIBITING COOKING AND STORE OF COOKING MATERIALS IN TREASURY BUILDINGS

TREASURY DEPARTMENT, Office of the Secretary, Washington, August 17, 1912

Department Circular No. 39, Chief Clerk

To Heads of Bureaus, and Chiefs of Divisions, Secretary's Offices, Treasury Department

The Committee on Sanitation has submitted a report to the effect that cooking and the storage of cooking utensils or materials, such as sugar, tea, coffee, etc., should be prohibited in the Department.

In accordance with the foregoing, it is hereby ordered and directed that all cooking operations, and the storage of all cooking utensils and materials, be discontinued in the Treasury, Butler, and Winder Buildings and any other buildings occupied by the Department within the District of Columbia.

FRANKLIN MacVEAGH
Secretary

"1500 Penn" Prize Winner

THA's inaugural "1500 Penn" Prize was awarded to David Singerman, Assistant Professor of History/American Studies at the University of Virginia for his essay "Science, Commodities, and Corruption in the Gilded Age." His paper deals with issues related to Treasury's role in the collection of tariffs on sugar in the 19th century. This was a major source of revenue at the time, but its collection was not as clear cut as one might expect on such a basic commodity. He received his award and presented his paper at the THA lecture on February 6.

David Singerman receiving the Inaugural Penn Prize from Frank Noll, February 6. Photo by Chris Taylor.

THA is delighted at the response to the inaugural contest and hopes that future contests will provide a new platform for promoting and sharing Treasury history. For example, the 10 authors in the inaugural contest have been invited to submit their essays to the Treasury Library, thereby creating a unique collection of papers on the history of Treasury that would otherwise not have been brought together in one place.

An announcement about submissions for this year's "1500 Penn" Prize competition is expected within the next few months.

150th Anniversary of Completion of Historic Treasury Building

The North Wing of the Treasury Building was completed February 2, 1869, in time to be used in the inauguration of President Grant. On March 4, Grant took the oath of office from Salman Chase in his role as Chief Justice of the Supreme Court. Tickets for the Inaugural Ball cost $10 and admitted 2 additional guests. There were 2,000 tickets issued and 200 couples were admitted at a time. The North Wing was not occupied by Treasury employees until June 1869.

Looking Ahead: New THA Capital Development Plan

For the past year, THA has been planning for a major new capital development effort to support new restoration projects in the Treasury Building and to complete the educational film about the Treasury Department and its building. The last such major effort was initiated in 2007.

Louis Margaglioni and Jeff Wishneski are co-chairing the effort, advised by consultant Julie Carter. While some initial outreach and organizational efforts have been taking place, the kick-off events are expected sometime this summer. Volunteers and expressions of interest in this effort are welcome.

One of the major goals is funding the completion of the educational documentary of the Treasury Building and the important historic events that had occurred within it. A 7-minute preview, which has received rave reviews worthy of an award as a stand-alone short, can be seen at: **www.vimeo.com/264102677** Feel free to share this link with others who might have an interest in the Treasury Department or Treasury Building history.

As THA is continually seeking donations to assist the Treasury Department in historic restoration of the Treasury Building, you can make a donation to our Development Campaign at any time. Such a gift without designation of a specific project will be used to support Treasury's needs as they arise and THA's campaign administrative costs.

5 Reasons to Join THA

When you might approach current or former employees to solicit their support of THA and the Department through a new THA membership, the following are five reasons that can be presented:

Give back to the Department: If you are or were employed at Treasury, whether your time here was just a few years, a major portion of your Government service, or an entire Federal career, working for this Department undoubtedly has given you unique professional development opportunities. As a THA member, you can give back your time, talent and/or financial resources in appreciation of the Treasury experience.

Help restore the Treasury Building: Treasury's building is a symbol of U.S. financial power throughout the world. Recognized by many by its image on the ten-dollar bill, the building was unfortunately neglected until the mid-1980s, when Secretary Baker initiated a formal program to restore the Building to its original grandeur as intended by its 19th Century design architects. Your membership helps THA in assisting the Department in its ongoing efforts to restore rooms and spaces of the building.

Help spread the word about Treasury's role in the Government: THA's second mission is to help educate the public on Treasury's important roles over the years, contributing to the development of America. Many Federal organizations had their start at Treasury, before becoming parts of other departments and agencies. Treasury's current bureaus play significant roles in providing services to the public and in protecting the Nation's economy. Your membership will help THA's efforts to spread the good word about Treasury.

Help expand knowledge of U.S. economic issues: Through THA's noontime lecture series, you will have opportunities to hear noted authors, academics and former Treasury officials share their knowledge of and experience in a wide variety of historic and current economic and policy matters.

Maintain connections with current and former Treasury colleagues: THA lectures, meetings and events afford you the opportunity to stay connected or reunite with those whom you enjoyed working with at the Department and bureaus.

From the Editor

Our special thanks to Gregory May for contributing his essay based on his December THA lecture on Albert Gallatin, one of the most honored Treasury secretaries along with his rival, Alexander Hamilton. Even their statues outside Treasury face in opposite directions. Since he is the longest serving Treasury secretary, the award presented to retiring Treasury employees with at least 20 years of service is called the Gallatin Award.

Thanks also to Tom O'Malley and Andy Young for contributing to this issue and Janet Auten for editing help.

We expect to continue including essays by THA Lecture Series Speakers in future issues. We hope that THA members who are not able to attend these events will consider this a useful benefit of membership. THA welcomes your suggestions for articles and topics of interest to THA members and friends of the Treasury for future newsletters.

Jerry Auten, Editor

THA President's Message

This past December 13, THA reached its 45th anniversary. Over the years, THA has provided financial support and in-kind gifts to the Treasury Department of over $750,000, in fulfillment of our mission to assist the Department in restoration of the Treasury Building and enhancement of its historic collections. For our education mission, we have completed the 30th year of our lecture program, as well as having published two history books and beginning a documentary film on Treasury's history. All these mission successes reflect positively on the support of our members and I want to acknowledge the role that you played in these successes.

Added to our education mission last year was our inaugural academic outreach competition, in which we asked for papers on a Treasury-related topic, to be submitted by post-graduate scholars. As noted earlier in this newsletter, our award – titled the "1500 Penn" Prize (after the Treasury Building's street address) -- went to David Singerman of the University of Virginia's faculty. We will continue this competition to engender a strong academic desire to pursue further research and prepare articles on Treasury topics. Please advise us of potential candidates for this award and we will send application information to them.

Finally, I would like to welcome a new member to the THA Board of Directors, Richard Cote, retired Curator of the Treasury Building. Richard has left his mark on the Treasury Building by his almost 30-year tenure of managing restoration projects and acquiring priceless historic pieces for the Treasury collection. We look forward to working with Richard as a Director of THA.

Deval Mehta, President

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TREASURY HISTORICAL ASSOCIATION

August 2019

Revised Edition

NEWSLETTER

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THA Lecture Series

The next THA noontime lecture, on September 11 in the Cash Room, will feature George Hall, Professor at Brandeis University, speaking on the long-term effects of World War I finance. After the United States entered World War I in 1917, the U.S. Treasury borrowed $23 billion from American citizens and lent $12 billion to 20 foreign nations, most of which was not repaid. Private citizens also made loans to these countries, leading to complications when public and private interests diverged. Among the consequences of this borrowing was a large, permanent peacetime debt for the first time in U.S. history and a deep and liquid market for Treasury securities.

On November 13, Angela Marie "Bay" Buchanan is scheduled to talk about her reminiscences of her time as Treasurer of the United States from1981 to 1983 during the Reagan Administration.

Another future lecture will be presented by the winner of the 2019 Treasury Historical Association 1500 Penn Prize for new research on some aspect of the history of the Treasury Department.

Since the last issue, THA has held two lectures. In June, Kate Elizabeth Brown's THA lecture discussed the important, but less known, contributions of Alexander Hamilton to America law. In July, Kurt Schuler told about the important pre-conference in Atlantic City in June 1944 that paved the way for agreements reached at the Bretton Woods Conference that followed. Both speakers contributed articles based on their lectures for this issue of the newsletter.

Former Treasury employees, THA members not employed at the Treasury Building and others interested are welcome to attend these THA noontime lectures. However, those who do not possess a Treasury Building pass need to arrange clearance into the Main Treasury Building about one week in advance. Notices are sent several weeks in advance to THA members, with instructions on how to gain clearance for entry into the building.

Why is Alexander Hamilton in an Orange Box?

For the past several months, the statue of Alexander Hamilton on the South Plaza of the Treasury Building has been encased in an orange box. This was done to protect the statue while renovations were made to the stones on the plaza. This project was completed in late July and Hamilton was released from his box.

Alexander Hamilton, Lawyer and Lawmaker

By Kate Elizabeth Brown

We think we know Alexander Hamilton. And we do—at least, we know Hamilton as the first Secretary of the U.S. Treasury, Federalist party chief, and wartime aide-de-camp to General George Washington. But we should add something else to this list: Alexander Hamilton as lawyer. Because Hamilton was one of the most celebrated and influential lawyers and legal thinkers in the early republic, we should take seriously how the law permeated Hamilton's accomplishments and pursuits beginning in 1783 when Hamilton passed New York courts' requisite bar exams, and extending throughout his career.

Studying law was common among America's founding class of statesmen, but Hamilton stands out among them. Hamilton did not inherit wealth (though he married into it), and he practiced law out of a need to make a living and support his family. He also enjoyed a reputation as New York's most distinguished lawyer from esteemed jurists like Chancellor James Kent, who remembered Hamilton as first among his peers: "But among all his brethren Colonel Hamilton was indisputably preeminent. This was universally conceded." Most importantly, however, Alexander Hamilton was first among his class of lawyers-turned-founding statesmen because his law practice—in public office and for private clients—had a uniquely formative influence over the substance and development of American law.

How Hamilton influenced American law is a complex story spanning both the realms of public (constitutional) and private law. Evidence of Hamilton's influence can be found in familiar sources—his *Federalist* essays, for example—as well as in state case reports. Hamilton's legal arguments, for example, can be found in foundational cases outlining New York state mortgage law and in the hundreds of marine-insurance contract cases that filled court dockets in the 1790s and 1800s. Alexander Hamilton's jurisprudence also made it to the highest court in the land, including his only appearance before the U.S. Supreme Court in *Hylton v. U.S.* (U.S., 1796). In *Hylton*, Hamilton won the case for his client, the federal government, and successfully defended his own tax policy. And, long after his death, Hamilton's legal arguments continued to appear in state and federal case reports, including such landmark cases as *Marbury v. Madison* (U.S., 1803), *People v. Croswell* (N.Y., 1804), and *McCulloch v. Maryland* (U.S., 1819).

In my lecture for the Treasury Historical Association, I discussed examples of Hamilton's impact on law while emphasizing how these episodes might take us by surprise, since they portray Alexander Hamilton in ways that depart from many conventional historical accounts. Early in his career, for example, Hamilton decided to defend clients whom many New Yorkers viewed as absolutely indefensible: the loyalist men and women who threw their support behind the British Crown, instead of the patriot cause, during the American war for independence. Defending loyalists from deprivations of their legal due process rights and against hostile patriots was not easy, and Hamilton often had to settle for mitigating the effects of New York's anti-loyalist statutes like the Confiscation Act (1779) and the Trespass Act (1783) instead of achieving complete justice for his clients. He developed a multi-part legal strategy including presenting novel defense arguments, settling litigation out of court, submitting petitions to the New York legislature, and publishing appeals to the general public in order to get some degree of justice for his clients. By the end of the decade, New York relented and eased its legal persecution of loyalists.

Kate Elizabeth Brown, Assistant Professor, Western Kentucky University, speaking on Hamilton, the lawyer.

Hamilton's defense of loyalists not only demonstrates his effectiveness as an advocate at the earliest moments of his legal career, but more importantly, it began his career-long dedication to protecting due process rights. We do not usually associate Alexander Hamilton with rights-consciousness, but the theme persists throughout his career. Hamilton's defense of rights culminated in his final high-profile case, *People v. Croswell*, which concerned the scope of the freedom of the press in the young, politically divided republic.

Another surprising influence that Hamilton had over the development of American law concerns his impact on the jurisprudence of federalism. Though we (correctly) associate Hamilton with a commitment to building a strong federal government, Hamilton's conception of national versus state sovereignty was more nuanced and balanced than we typically acknowledge. In fact, one of the more lasting influences Hamilton had over state and federal jurisprudence is, quite surprisingly, his arguments in favor of state sovereignty. Pause to let that sink in. Alexander Hamilton, known as the consummate nationalist in the founding generation, left behind a popular legal argument (among early-republic and antebellum jurists) that recognized the enduring authority of the states under the U.S. Constitution. These arguments, found in his *Federalist* essays No. 32 and 82, lay out a legal blueprint for courts to use to sort out the complexities of concurrent state and national power in our federal system. Under Hamilton's guidelines, sometimes the federal government won out in clashes with the states, but not always. In fact, the thesis put forth in these essays maintains that under the U.S. Constitution, jurists should default to the position that the states retain all of the pre-existing power, authority, and sovereignty that they enjoyed before the adoption of the Constitution. Lawyers and appellate courts, including the U.S. Supreme Court, cited and expounded on these Hamiltonian rules about federalism well into the nineteenth century.

As fitting for an audience interested in the history of the U.S. Treasury, I end with an episode from Hamilton's tenure as the first Secretary of the Treasury. Even while serving in this top administrative post, and after he had temporarily suspended his private law practice, Hamilton still used the law as a tool to accomplish his policy goals. As treasury secretary, Hamilton's goals were ambitious, including restoring the nation's creditworthiness, systematizing debt servicing, establishing a central bank, and designing tax policies that would grow and diversify a young economy. He also wanted to be sure that the national executive had the independence and energy to decisively act to carry out national policy. To that end, Hamilton proposed an intermingling of executive and judicial power and a synergy between these two branches of government that arose from the 1790 Remitting Act.

Congress passed the Remitting Act, or "An Act to provide for mitigating or remitting the forfeitures and penalties accruing under the revenue laws, in certain cases therein mentioned" in May 1790 (1 *Stat.* 122) on Secretary Hamilton's recommenddation. The underlying problem addressed by the act was this: Hamilton and Congress had passed all sorts of revenue laws to tax and regulate the trade coming through American ports, complete with punishments for violating these laws (including fines and forfeitures of cargo). Yet these strict laws could easily be inadvertently violated by merchants who would then face severe consequences (having their cargo seized and forfeited!) disproportionate to the mistakes they made (lacking the correct paperwork, for example). After merchants petitioned Congress for relief from the harshness of the laws, Hamilton proposed that Congress vest in the treasury secretary an equitable power to review the petitioners' circumstances and remit or mitigate the legal penalties imposed. In other words, the strict revenue laws would remain on the books and in effect, but, for those times when merchants inadvertently made errors, or did not hear about changes made to the revenue laws, or adhered to the spirit, but not to the letter, of the laws, the treasury secretary could give them some equitable relief. Congress codified Secretary Hamilton's idea into law.

With the Remitting Act, however, Congress not only set up the treasury secretary as a sort of chancellor of the American exchequer, it recruited federal district judges to act as administrators in the remitting process. Under the terms of the statute, U.S. district court judges would act like fact-finding executive officials and collect documents and testimony related to a petitioner's case. They would then send those documents, usually along with a letter describing the petitioner and his situation, to Secretary Hamilton. The secretary would then decide whether or not to remit or mitigate the penalty associated with the petitioner's violation of federal revenue laws. The treasury secretary, not the federal judge, determined the resolution of the petitioner's claim.

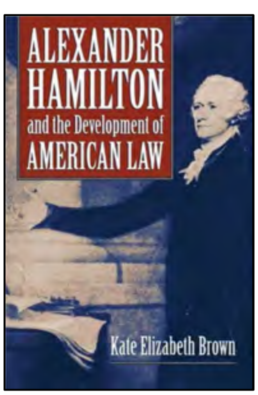
Alexander Hamilton left the U.S. Treasury in 1795, but the remitting process he created with Congress lasted well into the nineteenth century. Yet, because it provided an alternative pathway to dealing with revenue law violations—a process that bypassed the normal legal process—disgruntled petitioners eventually challenged the remitting process. But every time a case came before the district and circuits, before the very same judges recruited to act as administrators in the remitting process, those judges upheld the constitutionality of the remitting process and the finality of the treasury secretary's decisions. In doing so, they also upheld Alexander Hamilton's continued influence over the development of American law.

Kate Elizabeth Brown, Ph.D., is an assistant professor of history at Western Kentucky University and the author of Alexander Hamilton and the Development of American Law.

Kate Brown's lecture was videotaped by the Alexander Hamilton Awareness Society for their members. THA is grateful to the AHA Society for making this video available to THA and its members. This video will soon be posted on the THA website and available on youtube at: https://www.youtube.com/watch?v=6kBaBzAsapo

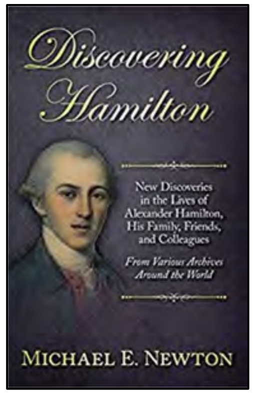
Books by Recent THA Lecture Series Speakers

Alexander Hamilton and the Development of American Law



By Kate Elizabeth Brown, 2017.

Discovering Hamilton: New Discoveries in the Lives of Alexander Hamilton, His Family, Friends, and Colleagues, From Various Archives Around the World



By Michael Newton, 2019.

Both books are available on-line from Amazon and Barnes and Noble and may be available through local bookstores.

The Atlantic City Conference Just Before the Historic Bretton Woods Conference

By Kurt Schuler

The International Monetary Fund (IMF) and World Bank were created 75 years ago at a conference in Bretton Woods, New Hampshire. That conference is so well known that the IMF and World Bank are nicknamed the Bretton Woods institutions.

Far less known is the Atlantic City, New Jersey conference in June 1944 that immediately preceded Bretton Woods and established the draft agreements from which Bretton Woods started. One reason for the lack of attention to Atlantic City has been the lack of published material from the conference. With Gabrielle Canning, a young scholar who happens to be my neighbor, I have endeavored to fill the gap with a forthcoming book, *Just before Bretton Woods: The Atlantic City Conference, June 1944.* The book, which will be published in electronic and hardcover versions in the fall, contains an extensive set of minutes from the Atlantic City conference. The book will be published by the Center for Financial Stability, a New York City-based think tank established by Treasury alumnus Lawrence Goodman.

Background to the conference

The historical backdrop to the postwar planning of 1944 was a generation of political and financial tumult resulting from World War I (1914-1918) and its aftermath. The war proved devastatingly costly. The countries that fought financed their war spending partly by inflation, whose effects they suppressed through price and exchange controls.

After the war, they faced an unpleasant choice: devalue and let suppressed inflation come out into the open, possibly generating politically uncontrollable pressures leading to further inflation, or deflate to return to prewar exchange rates against gold. No belligerent country got off easy. At one pole. Germany suffered hyperinflation that made its currency worthless and wiped out the savings of millions; at the opposite pole, the United States experienced a severe through short deflationary recession. Other countries took middle ways that spread the pain over time but retarded economic growth. Then, after a seeming return to normalcy in the late 1920s, came the Great Depression. The political turmoil that the Depression generated led to the rise of Nazism in Germany and arguably intensified Japanese militarism. A second world war followed, more gigantic and destructive than the first.

The founders of the IMF and the World Bank accordingly felt great weight on their shoulders to prevent the next 30 years from being like the last 30 years. Among the founders, the two outstanding figures were John Maynard Keynes (1883-1946) and Harry Dexter White (1892-1948). Keynes, who was by then and who remains the most famous economist of the 20th century. Keynes had positions and connections in academia, government, finance, and even the arts. In World War II he was an unpaid adviser to the British Treasury. He took no salary because his writing and financial speculations had made him independently wealthy, and because being unpaid left him free to express his views without the strictures that applied to civil servants. In 1942, he was granted a peerage. Lord Keynes led the development of British proposals for the postwar international financial system and led the British delegation at Atlantic City and Bretton Woods.

Harry Dexter White was the son of Lithuanian Jewish immigrants, part of the first generation in his family to attend college. After earning a Ph.D. in economics from Harvard University he was teaching at a small college in Wisconsin in 1934 when he got an opportunity to work at the U.S. Treasury. His superiors took notice of his industry and intelligence. In 1938, Secretary Henry Morgenthau, Jr., made White director of the new Division of Monetary Research. Soon after the United States entered World War II in December 1941, Morgenthau put White in charge of all of the Treasury's international affairs. That very month, White began developing American plans for what would become the IMF and the World Bank.

Besides his influence on the IMF and the World Bank, White is best known today for having passed classified information to American Communists who were spying for the Soviet Union. We can discern no advantage that might have arisen to the Soviet Union had he passed information concerning the Atlantic City conference, though.

In 1942, Keynes and White became aware of each other's plans for the postwar international financial system. After further changes, both plans were published in April 1943. A year of further negotiation and consultation with other World War II Allied governments followed. On April 21, 1944, a Joint Statement by Experts on the Establishment of an International Monetary Fund was published. The Joint Statement predominantly reflected American positions, given the power of the United States as the only country that could readily afford to finance the IMF.

In early 1944 the United States began laying the groundwork for a conference to sign a detailed agreement for the IMF, and if possible,also for the Bank, which at this stage was called the Bank for Reconstruction and Development. ("International" was added to its title at Bretton Woods, and it was first nicknamed the World Bank in 1946.) The American plan for a small "preconference" of select countries to develop drafts for the Fund and the Bank, which a large conference of all prospective member countries would then discuss, amend, and approve in final form.

Initially the plan was for both the preconference and the conference to take place at Bretton Woods. However, the conference site, the Mount Washington Hotel, had been closed since earlier in the war and was not ready to receive guests before July 1, 1944. The preconference therefore moved to Atlantic City, at the Claridge Hotel, which the previous year had hosted the inaugural conference for another international body, the United Nations Relief and Rehabilitation Administration (UNRRA). Atlantic City was chosen over Washington largely to accommodate Keynes's delicate health; at the time, many public buildings were not yet air conditioned.

A large American delegation, headed by White, arrived in Atlantic City on June 14, 1944. It consisted of staff from Treasury and from other agencies. The American delegation prepared American position papers and negotiating positions until many foreign delegates arrived on June 19. Keynes and other delegates traveling from London, including some from European governments in exile, did not arrive until June 23, because of travel delays arising from the D-Day operation that began the liberation of France. They traveled on the famous passenger ship the *Queen Mary,* which during the war served as a troop transport. Travel by ship was more economical and less risky than air travel. The shipboard delegations used their time to develop further ideas on the Bank and the Fund. The other delegations succeeded in impressing on Keynes how important the Bank was to them, and intensifying his enthusiasm for it.

The conference ended on June 30, after which delegates took an overnight train to Bretton Woods. At Bretton Woods, the technicians of Atlantic City joined up with their politically appointed superiors, including Morgenthau, who would be president of the Bretton Woods conference, and Federal Reserve chairman Marriner Eccles.

What happened at Atlantic City?

Seventeen countries attended the Atlantic City conference, in contrast to 44 at Bretton Woods. The countries were: Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, Greece, India, Mexico, Netherlands, Norway, Soviet Union, United Kingdom, and United States. One might consider them a predecessor to today's Group of 20 (G20): a group of countries sufficiently large and diverse enough to have a claim to set the international economic agenda for other countries to consider.

A number of important issues were more or less settled at the conference. They could have been reopened at Bretton Woods, but were not. The U.S. delegation managed to limit foreign demands that would have made the IMF and World Bank bigger drains on American funds than it thought the U.S. Congress would approve. Although the knotty question of precise numbers for quotas (capital contributions) and associated voting rights was left until Bretton Woods, the United States had British agreement that the combined votes of British Commonwealth countries would not exceed the voting power of the United States.

The U.S. delegation yielded on some important points. The British pressed to include language that made the IMF less of a supervisor and more of an adviser on exchange rate matters, so that sovereignty on exchange rate matters clearly rested with member countries. The United States agreed to allow the Bank to start with lower paid-in capital and to engage in a wider range of activities than it had originally envisioned.

The leading achievement of Atlantic City was to develop a draft of the Bank agreement that Bretton Woods could consider alongside the draft IMF agreement. The World Bank agreement was easier to negotiate: it did not require the same sacrifices of freedom in national policy as the IMF. Even so, had the Bretton Woods conference not had a draft agreement on the Bank, it is hard to conceive that it could have achieved a final agreement in the allotted time. Bretton Woods devoted the first half of its 22 days entirely to the Fund and spent no significant time on the Bank until the last half of the conference, while negotiations on the Fund continued. In all probability, then, no Atlantic City, no World Bank.

Kurt Schuler is an economist in the Office of International Affairs at the Treasury. In his spare time he is Senior Fellow in Financial History at the Center for Financial Stability. He spoke to the Treasury Historical Association on July 17 about his work on the Atlantic City Conference. These are his personal views only.

Kurt Schuler, Office of International Affairs, speaking on the Atlantic City Conference that preceded Bretton Woods.

Celebrating the Anniversaries of Bretton Woods and the Atlantic City Conference

To commemorate the 70th anniversary of Bretton Woods in 2014, the Center for Financial Stability (CFS) held a conference in the Mount Washington Hotel in Bretton Woods, New Hampshire, the same location as the original conference. The conference featured papers (which can be found on the CFS website: www.centerforfinancialstability.org) and the presentation of *The Bretton Woods Transcripts*, a book of previously unpublished conference material that I edited with Andrew Rosenberg and that the CFS published.

For the 75th anniversary, the CFS later this year will issue a book edited by Kurt Schuler and Gabrielle Canning, *Just before Bretton Woods: The Atlantic City Financial Con-ference, June 1944.* It collects American and British archival documents that pre-sent a detailed picture of what happened at Atlantic City. The Atlantic City conference developed the draft agreements for the IMF and the World Bank from which the Bretton Woods conference proceeded. It is accurate to say that Atlantic City made the World Bank possible. Whereas there was already an internationally agreed statement on the principles to govern the IMF before Atlantic City, no similar statement existed for the World Bank. At Atlantic City, the two leading delegations, from the United States and Britain, found that their ideas about the Bank were close enough to assemble quickly a draft that was also broadly agreeable to the other countries present.

Criminal Investigations Agents Mark Centennial

The Association of Former Special Agents – IRS (AFSA-IRS) and current special agents are celebrating the 100th Anniversary of the Criminal Investigations organization. When created July 1, 1919, this organization was called the Special Intelligence Unit. The earliest group of undercover agents performed unusual and heroic acts during the 1920s-40s. Their successors continue to do so today.

Led by their founder and "chief" Elmer Irey, the early agents often spent years, even decades, in an undercover mode, using pseudonyms in order to infiltrate gangster groups so they could fight organized crime and protect the nation.

One of the most iconic cases of their early years was the 1932 Lindbergh baby kidnapping, called "the Crime of the Century." Chief Irey and his top agents, Frank J. Wilson (who later became the Chief of the Secret Service) and "mysterious" Michael F. Malone, tracked the kidnapper, Bruno Hauptmann, leading to his arrest and conviction.

The previous year, special agents Wilson and Malone became legends by discovering evidence that led to the 1931 arrest and conviction of gangster kingpin Al Capone for tax evasion.

In a later time, President Franklin D. Roosevelt acknowledged the Special Intelligence Unit was "a shining mark of not only incorruptibility" but also of "A-1 efficiency".

Retired special agents from across the country will convene in Washington September 18-21 to join with current staff of Criminal Investigations to celebrate the work performed by their organization since its establishment one hundred years ago.

First THA Oral History

The first of a planned series of oral histories of former Treasury employees was recently posted on the THA's website.

Dorothy Roper Daly, THA's first Oral History Committee Chair, took several oral histories that are being readied for THA's website. She views the oral histories as a way to enliven the official records. It is therefore particularly fitting that Dorothy's oral history is the first to be posted on the THA website.

Dorothy, who will celebrate her 97th birthday In September, now lives in Scottsbluff, Nebraska.

Dorothy worked as an Economic Analysis in the Division of Research and Statistics from 1942 to 1951. Dorothy shared her memories about working in Treasury during World War II under Secretary Henry Morgenthau in her oral history.

She returned to Treasury in 1968 in the Savings Bonds Division during the Vietnam War and later headed Treasury's Federal Women's Program, which was later folded into the Equal Employment Opportunity Office.

In her oral history, Dorothy noted the difference in atmosphere between her two periods at Treasury. During World War II, Dorothy and her colleagues felt that by raising funds to fight the war, they were personally "somehow providing the means by which our country was helping to conquer an evil." Upon her return to Treasury, Dorothy felt that the work was much more bureaucratic and "lacked the kind of heart that made my government run in the early part of my career."

This oral history along with a more complete story of Dorothy working at Treasury can be found under the Treasury History and Tours tab at the top of the page on THA's website: www.treasuryhistoricalassn.org

Abby Gilbert, the current chair of THA's Oral History committee, conducted the interviews and prepared the transcript for publication. Abby is currently working on completing preparation of several additional oral histories.

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Candidates Sought for THA Board of Directors

September marks the beginning of the formal solicitation period for nominations to the Board of Directors. Directors serve for two years and assume responsibility for a THA activity such as membership, fundraising, publicity, product sales, etc. All THA members are eligible to serve on the Board. If you are Interested or know a fellow THA member who is, please contact Cora Beebe Fosdick corabeebe@aol.com

New THA Members Wanted

September marks the beginning of our annual membership drive. Our goal is to bring in 100 new members. We are asking our members to reach out to colleagues and friends and encourage them join or to consider giving a gift of membership. New members will enjoy membership benefits through 2020. A stainless steel travel mug will be sent to you if you bring in three new members.

THA Gift Items

While it may be a little early for planning holiday gifts, THA's latest ornaments and some remaining ornaments from the old bureau histories series are available on THA's website along with other THA items appropriate for gifts or personal use. The *Fortress of Finance*, a wonderful book on the history of the Treasury Building, is available on THA's website. This book is also available on eBay and in the TDRA Gift Shop outside the Cash Room in Main Treasury. THA's other book, *Birthplace of Bureaus,* is also offered on THA's website.

A QCD from the RMD of Your IRA Helps THA and Your AGI!

Don't let all these abbreviations scare you.

For those who have reached the "magical age" where they must now draw a Required Minimum Distribution (RMD) from their tax-deferred Individual Retirement Account (IRA), there is a way to reduce or eliminate the tax burden from this additional income by requesting your IRA administrator to make a Qualified Charitable Distribution (QCD) to THA and other nonprofit 501(c)(3) organizations.

A QCD will reduce the Adjusted Gross Income (AGI) on your 1040 tax form, and is of particular benefit for those individuals who cannot itemize deductions under revised standard deduction limits of recent tax law changes.

Please consider giving your donation to THA – or even a Life Donor membership --- through a QCD. THA's Employer Identification Number, which your IRA administrator might require for a QCD process, is 23-7389186. It would be helpful if you provide to THA any letter of QCD request that you send to your IRA administrator, so that we will know your donation is in process.

THA President's Message

We have been very pleased and fortunate to be able to attract interesting and dynamic speakers to present noontime lectures this year and we hope you found these to be both informative and of value. And we are fortunate to have the articles provided by our speakers for this and recent newsletters, so that our members who are not in the Washington, DC area can share in the presentation material. We will continue to bring quality presentations on topics of interest to our members in future lectures. If there are topics you would like us to consider for future lectures, please send us an email or voicemail with your suggestions.

Our Development Committee continues to plan for our Phase II Development Campaign, which we are titling "The Campaign for Alexander Hamilton's Treasury." It will encompass both education initiatives and Treasury Building restoration initiatives – some of the latter being unfinished carry-over restoration projects from our Phase I Capital Development Campaign that ran from 2007 to 2017. Further information will be provided in our December newsletter.

We are entering our biennial recruitment process for the next term of the Board of Directors, 2020-2021, and seeking volunteers to serve on the Board. This is the operational group that manages all THA programs and initiatives. Since THA does not have any employees, we are very dependent upon the volunteerism of Board members who can devote a couple or more hours per week to manage THA's programs.

Finally, I want to thank our members for their continued support and contributions to THA. It is only through your loyalty that THA can continue to perform its missions of promoting education on the Treasury Department's history and of assisting the Department in the restoration of the Treasury Building.

Deval Mehta, President

From the Editor

Our thanks to Tom O'Malley, Abby Gilbert and Cora Beebe Fosdick for submitting articles for this issue and to Janet Auten for editing help. Special thanks go to Kate Elizabeth Brown and Kurt Schuler for contributing articles based on their recent THA lectures in the Cash Room. We hope to make this a regular part of THA newsletters so that all members can benefit from the lecture series.

THA is grateful to Sergio Villavicencio for videotaping Kate Brown's lecture and the Alexander Hamilton Awareness Society (www.the-aha-society.com) for making the videotape available to THA.

In addition to articles based on THA lectures, we would welcome submission of or ideas for short articles and photos about other subjects relating to Treasury history. These could include articles about members' collections of Treasury memorabilia or anniversary articles about Treasury bureaus or major events. We would be interested in hearing your suggestions for such articles and from members willing to contribute items of interest to THA members and friends of the Treasury.

Jerry Auten, editor

TREASURY HISTORICAL ASSOCIATION
December 2019

NEWSLETTER

Inside this Newsletter . . .

THA Lecture Series

The next THA noontime lecture on March 4 celebrates Women's History Month and the 100th Anniversary of the 19th Amendment. The speaker is Rebecca Roberts, author of *Suffragists in Washington, DC: The 1913 Parade and the Fight for the Vote*. The 1913 parade down Pennsylvania Avenue ended with a demonstration on the South Treasury steps and plaza where the Hamilton statue is now located. THA members may wish to purchase her book in advance of the lecture for signing.

Since the last issue, THA has held two lectures. On September 11, George Hall, Professor at Brandeis University, spoke on complications arising from lending by the U.S. government and private financial firms during and after World War I. At one point, this resulted in circular lending from the United States to help Germany pay reparations to France and England so that they could pay back their debts to the United States. The article by Professor Hall in this issue provides a clear and concise explanation of international finance in World War I and the post-war period.

On November 13, former U.S. Treasurer Bay Buchanan spoke about her time at Treasury during the Reagan Administra-tion. Excerpts from her talk are included in the following article.

Next summer, a THA lecture will feature the winner of the 2020 Treasury Historical Association 1500 Penn Prize for new research on some aspect of the history of the Treasury Department. More details about the 2020 Penn Prize are provided later in this issue.

Former Treasury employees and retirees, THA members who are not employed at the Treasury Building and others who are interested are welcome to attend THA noontime lectures held in the Cash Room.

However, those who do not possess a Treasury Building pass need to arrange clearance for entry into the Main Treasury Building about one week in advance. Announcements of lectures are distributed several weeks in advance to THA members, with instructions for non-passholders on how to request approval to gain clearance for entry into the building.

Bay Buchanan: Reminiscences of Her Time as United States Treasurer

Former Treasurer of the United States, Angela Marie "Bay" Buchanan spoke about her experiences in Treasury at the THA noontime lecture in the Cash Room on November 13. She served as Treasurer from 1981 to 1983 during the Reagan Administration. Having served with presidential candidate Reagan for five years, including as his campaign Treasurer, she was offered the opportunity to propose three choices for a possible appointment when he became President of the United States. She wrote down United States Treasurer for all three choices – and got the appointment. She later learned she was the youngest person to serve as Treasurer since this position was established in 1775.

Bay Buchanan Speaking at the THA Lecture. Photo by Chris E. Taylor.

One of the first jobs of a new Treasurer is to provide a signature for the Bureau of Engraving and Printing to affix on U.S. currency. But, this put her in a quandary: what name should she use? She explained that, while her given name is Angela, when she was a baby, one of the youngest of her brothers couldn't say "baby"— so it came out as "Bay." The name stuck. Later, in school, another girl in her class was also named Angela, so the future Treasurer told everyone that her nickname was Bay. She continued using this name in her professional career. When it came time to provide her official signature on American currency, since she was known only as Bay, she leaned towards using that name. But, she finally decided to honor her family's request and used her full name, Angela Marie Buchanan for her official signature.

As Treasurer, Ms. Buchanan served on the Senior Staff under Secretary Donald Regan, of whom she was fond. But, at Secretary Regan's staff meetings, the economists talked a mile a minute about "M1, M2 and all the other M's." Realizing that she didn't know any economics, she began reading the *Wall Street Journal* and talking with Undersecretary Norman Ture over lunch.

Ms. Buchanan said she also was terrified about giving speeches, as is required of the Treasurer. After her first speech did not go well, she engaged a speech tutor and practiced. She said the lesson from these experiences was to be willing to say "I don't know," and to get on the phone and get the information you need.

While she received many letters as the official who supervises the U.S. Mint, the number one topic was Treasury's holdings of gold. There were many false rumors at the time. Questions frequently posed in the mail included: "Where is the gold? Is it in Switzerland? "Are you sure it's in Fort Knox?"

Treasurer Buchanan decided to go to Fort Knox, Kentucky so she could say that she had actually seen the gold. The first opportunity was during an annual audit of the gold in Fort Knox when they take a sample chip off one of the bars to prove that it was gold and no other substance had been substituted. Another question raised in letters was "Are you sure the gold is not radioactive?" So she asked that a young man accompany her with a Geiger counter to prove the gold was not radioactive. The two walked into the Gold Depository and observed the auditors doing their work. Ms. Buchanan selected some boxes of gold bars at random for testing. The tests showed that the gold was not radioactive and that there was no trace of any radioactivity anywhere. When she told colleagues back at Treasury about testing the gold bars, one wag asked "Did you bite them?"

Ms. Buchanan told another story about her role in managing Treasury's 1984 Olympic Coin Program: A bill in Congress would have turned over the rights to sell these commemorative coins to two private firms in exchange for $50 million. Treasury would have no control after turning over the coins. Additional profits from coin sales to consumers, expected to be much larger, would go to the private firms. U.S. Representative Frank Annunzio, an Illinois Democrat, vowed this would not happen on his time and told the Treasurer she needed to help stop it. But there was strong lobbying pressure favoring the bill and it looked like the bill would pass.

Ms. Buchanan went directly to President Reagan and told him "We've got a problem here." The President didn't trust the proposed arrangements either and told her "Do what you can to stop them." Since it was not official Treasury or Mint policy to oppose the bill, she couldn't openly oppose it. Instead, she worked behind the scenes and across party lines with Congressman Annunizio as well as with key Senators and "We stopped it." The bill did not pass, and ultimately 17 commemorative coins were issued. Managed by Treasury, the program raised $75 million for Olympic programs and athletes.

Complications for the United States from International Credits: 1913 -1940

In 1914, the United States was a net debtor to Great Britain, France, and the other European Powers, but this would change during the First World War. To finance the war, the U.S. Treasury borrowed $23 billion from U.S. citizens and lent nearly $12 billion to 20 nations becoming a net creditor to Europe. This change in status generated complications for U.S. monetary and fiscal policy that still reverberate today. In this article, I describe how, by the 1930s, these wartime loans, by and large, became gifts.

When the European war broke out, President Woodrow Wilson urged U.S. citizens to remain "impartial in thought as well as in action," but U.S. bankers and industrialists ignored this advice since there was too much money to be made selling arms and other supplies to the British and the French. During the first two and half years of the war, under the coordination of J.P. Morgan and Company, U.S. private investors lent nearly $2 billion to the British and French governments.

When the U.S. finally entered the war in April 1917, lending to the Allies shifted to the Treasury through the five Liberty and Victory Loans. The war created a network of international debit and credits, and by 1922, 20 nations owed the U.S. Treasury $11.8 billion, representing 51% of outstanding Treasury debt and 16% of U.S. GDP. For the next 15 years, politicians, diplomats, and ordinary citizens debated:

Were these Treasury credits part of the U.S. contribution to the war effort? Or were they loans to be repaid? If so, by whom?

The U.S. government assured investors of the Liberty and Victory Loans that these

Professor George Hall giving THA Lecture
Photo by Chris Taylor

foreign credits partially backed their promised payments. Further, the memory of the outsized real returns Union bondholders received over the two decades following the Civil War led World War I era bondholders to anticipate similar-sized returns. Neither of these assumptions was correct.

By the early 1920s, it was clear that our European Allies had neither the resources nor the political will to repay these credits. Under the leadership of Treasury Secretary Andrew Mellon, the World War Foreign Debts Commission renegotiated these foreign credits, effectively reducing the value of the promised payments to U.S. taxpayers by over 40%. After the war, the prices of Liberty and Victory Loans collapsed, trading well below par. This price drop, combined with wartime inflation and a post-war deflation that failed to bring down the price level to pre-war levels, caused investors in U.S. Treasury securities to earn low nominal and real returns throughout the 1920s.[1]

To further complicate matters, the Versailles Treaty in June 1919 and the London Schedule of Payments in April 1921 imposed foreign debts on Germany in the form of large and uncertain reparation payments due in gold to the victors of the War, especially France and the UK. As part of these reparations, Germany was required to pay the Allies a fixed annuity of 2,000 million gold Marks ($476 million), roughly the same amount the Allies were scheduled to pay the United States.

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[1] *Investor resentment from these low returns motivated the creation of non-marketable savings bonds prior to the U.S. entry into World War II.*

After several years of passive German resistance to making these reparation payments, a committee headed by American banker and future Vice President Charles Dawes proposed a plan that rescheduled German reparation obligations, rearranged German monetary-fiscal institutions and policies in ways designed to protect central bank independence, and brokered an international loan to the German federal government. The success of the Dawes Plan led U.S private investors to extend $1.3 billion in loans to German federal, state and municipal governments as well as utilities, private companies, and banks.

Hence during the second half of the 1920s, U.S. private investors were lending to Germany so that Germany could make its reparation payments to the Allies, who would then repay the U.S. Treasury. However, note that while reparation payments were the responsibility of the German Republic, most foreign loans went to Germany's states, provinces, cities, and industrial firms. The German Republic encouraged commercial borrowing: after all, if default loomed, the Weimar government could argue that non-reparation public and commercial debts should be paid before reparations. In 1925 German Foreign Minister Gustav Stresemann stated impolitely:

> *One must simply have enough debts; one must have so many debts that, if the debtor collapses, the creditor sees his own existence jeopardized.*

Of course, that would pit the interests of American private creditors against those of owners of U.S. Treasury debt who had expected the Liberty and Victory Loans to be backed by its holdings of foreign credits to former WWI allies, which in turn were funded by German reparation payments. American isolationists and populists worried that the U.S. government would forgive the Allied credits (thus endangering the full repayment of the Liberty and Victory Loans) to ensure that Germany repaid U.S. private investors. The *New York American* criticized

> *the campaign of international bankers to squeeze, cajole, wheedle Uncle Sam into cancelling the thousands of millions of dollars owed the United States Treasury by European nations ...*
>
> *international bankers, to protect their own private investments overseas, want the U.S. to cancel the foreign war debts.*

This circular flow of lending from U.S. investors to Germany to the Allies and back to the U.S. Treasury worked until the world economy collapsed in 1931. President Herbert Hoover declared a temporary moratorium on all international debt payments, and the flow of funds between nations slowed to a trickle. In 1933, Hitler seized power in Germany and stopped all reparation and debt payments.

In the end, the vast majority of these foreign credits were never repaid and remain to this day on the Treasury's books. Between 1918 and 1940, in exchange for the over $12 billion in loans, credits, and accrued interest, the Treasury received $2.86 billion in remittances ($2.11 billion labeled interest and $777 million labeled principal) from the Allies.

After World War II, West Germany accepted responsibility for roughly 2/3 of its pre-war debts. At the London Debt Conference of 1953, loans to the German government as well its commercial and municipal debts were written down and refinanced. After German reunification, new bonds were issued, and in 2010, Germany made its final bond payment.

After paying only $486 million ($226 in principal and $260 million in interest) on the $4.2 billion owed, France repudiated its WWI credits due to the US. The U.K. Government made $2.19 billion in payments ($464 million in principal and $1.72 billion in interest) on the $4.7 billion it owed. Only Finland, Greece, and Hungary repaid in full.[2]

World War I rearranged the political and economic world order and transformed the United States into a net foreign creditor and a financial powerhouse; but in doing so, it generated political complications that the federal government was unprepared to face. By the early 1930s, the Allies' default on their debts to the U.S. Treasury exposed the federal government's overly optimistic assumptions about post-war macroeconomic growth and politically sustainable international cooperation.

Author George J. Hall is Fred C. Hecht Professor of Economics in the Economics Department and the International Business School at Brandeis University. This article summarizes joint work with Thomas J. Sargent published in *Debt and Entanglements Between the Wars* (Era Dabla-Norris editor), November 2019, International Monetary Fund.

[2] *In 1964, Greece agreed to an 80-year repayment schedule. Greece remains current on this loan, and its last installment is due in 2048. Together the debts of Finland, Greece and Hungary were less than 4/10 of 1 percent of the total indebtedness of foreign governments to the United States arising from World War* I.

Call for Papers for 2020 1500 Penn Prize

To promote and preserve the history of the U.S. Treasury Department, the Treasury Historical Association (THA) invites essay submissions for the second **1500 Penn Prize**. Named in honor of the location of the Treasury's historic main building, the prize seeks to reward outstanding scholarship on the history and significance of the Treasury to American history—widely conceived. THA welcomes scholarly essays that cover any period of American history, as well as any aspect of the Treasury's past, including studies of policies, politics, architecture, people, and culture.

Essays will be judged by a panel of historians and Treasury experts. The winner of this contest will receive a $250 honorarium as well as an invitation to speak at THA's prestigious Noontime Lecture Series in the historic Cash Room of the Treasury Building in Washington, D.C. Past speakers have included leading scholars and former Secretaries of the Treasury. THA will cover travel costs to Washington D.C. up to $750.

Submitted essays must be double-spaced, 12-point font, and not over 12,000 words including footnotes. Submissions should also include a current CV and a cover page. The cover page should include contact information and author's affiliation. Submissions should be sent via email as a PDF attachment to Michael Caires at mtc2p@virginia.edu.

For questions on the 1500 Penn Prize or the THA Noontime Lecture Series, contact Michael Caires at the above address.

The deadline is **March 27, 2020.** The winner will be announced in August 2020.

THA Gift Items

THA's latest ornaments and some remaining ornaments from the old bureau histories series are available on THA's website, along with other THA items appropriate for gifts or personal use.

Fortress of Finance, a wonderful book on the architectural history of the Treasury Building, is also available on THA's website. Additionally, this award-winning book is available on eBay and in the Treasury Department Recreation Association's gift shop outside the Cash Room in the Main Treasury Building.

THA's companion book, *Birthplace of Bureaus,* containing brief histories of 40+ organizations within the Treasury Department since 1789, is also offered on THA's website.

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Secretary: Lori Santamorena

THA Board members for 2020 – 2021 are: Joan Arnold, Gerald Auten, Michael Caires, Barbara Clay, Carter Evans, Cora Beebe Fosdick, Abby Gilbert, Gary Grippo, Louis Margaglione, Deval Mehta, David Monroe, Franklin Noll, Thomas O'Malley, Lori Santamorena, Jeffrey Wishneski, Roy Wyscarver, and Andrew Young.

New members starting in January are:

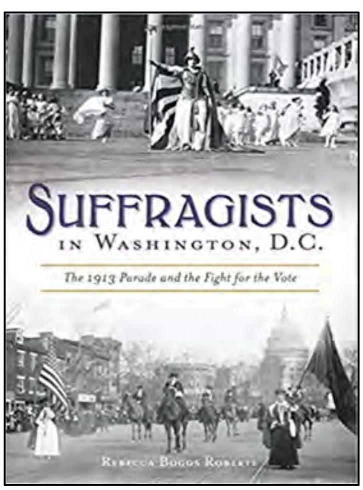
Joan Arnold: formerly Director for Treasury Enterprise Systems, CIO. She is a long-time Treasury volunteer tour docent and has been assisting in the THA Phase II Development Campaign.

Barbara Clay: former Treasury Director of Public Affairs. She has over 30 years of experience in communications.

Carter Evans: currently working in the Office of Capital Markets and previously in the Comptroller of the Currency Office.

Roy Wyscarver: a five-year Treasury volunteer docent who worked at the Department for over 39 years including as Senior Advisor for Technology Development in the Office of Tax Policy and Director of the Economic Modeling Staff.

Book by March 2020 THA Lecture Speaker



Suffragists in Washington, DC: The 1913 Parade and the Fight for the Vote. by Rebecca Boggs Roberts. Published by The History Press, 2017.

This book is available in several formats (hardcover, paperback, Kindle) on-line from Amazon and Barnes and Noble and may be available through local bookstores.

THA President's Message

Dear Members,

With the end of 2019 quickly approaching, I want to take the opportunity to review some of the activities and accomplishments of THA directors and to extend my appreciation to those who have worked so hard to fulfill THA's mission of support to the Treasury Department in the areas of historic preservation of the Treasury Building and of education on the history of this great institution.

While I appreciate the many hours that all directors have dedicated each week to supporting and promoting THA, I want to extend special thanks to Michael Caires, who managed the first THA competition for an academic paper from graduate students. With a number of submissions received, the paper of David Singerman was selected and he delivered the first talk of the year in our noontime lecture program, on the subject of corruption during the gilded age within Treasury. THA's award plaque was presented to him at the conclusion of his talk.

Other guest speakers at our noontime lecture program were Elizabeth Samet who spoke on Ulysses S. Grant (in the venue of General Grant's Presidential Inaugural Ball, the Treasury's Cash Room); Kate Brown, captivating the audience by her presentation on Alexander Hamilton, the lawyer; Kurt Schuler, who spoke on the pre-Bretton Woods conference held in Atlantic City; George Hall on the U.S. public debt during and after World War II; and concluding the year's program, Angela Marie "Bay" Buchanan, the 37th and youngest-in-history Treasurer of the United States, who shared her reminiscences of challenges she met during her term of office under President Regan. I would like to publicly thank noontime lecture program co-directors Franklin Noll and Andrew Young for their hard work and the extensive arrangements that they made to bring these six great lectures to our members and guests.

I also want to thank THA's Development Committee co-chairs Louise Margaglione and Jeffrey Wisheski, who made great progress in 2019 in planning for the Phase II Development Campaign, subtitled "The Campaign for Alexander Hamilton's Treasury." This five-year campaign, with a fundraising goal of $2.855 million, will encompass seven Treasury Building restoration initiatives and seven Treasury-related educational initiatives, including the one-hour documentary on the Treasury Building and important events that occurred within its walls.

During 2019, the biennial Nominating Committee was activated once again, and I want to express appreciation to committee chair Cora Beebe Fosdick and committee members Lori Santamorena and Ralph Rector for the many hours that they spent in helping plan the next term of office for THA. Also, I extend thanks to all the other directors who gave so much of their time in performing work for THA each week, usually behind the scene, in keeping the organization running, especially the other officers who have supported me as President.

And, finally, I want to thank each of you, our members, who have helped keep THA actively supporting the Treasury Department through your membership dues and generous donations. We look forward hopefully to the year 2020 to be one of even greater accomplishments for THA.

Best wishes for the holidays,

Sincerely,

Deval Mehta, President

For Holiday Shopping, Remember to "Smile"

This is the time of the year that most people find themselves quite busy in shopping for holiday gifts for family and friends, as well as for themselves, perhaps – especially beginning with "Black Friday" sales that seem to start earlier in the year and stretch beyond Thanksgiving weekend.

When shopping at Amazon.com, please use their alternate address for the Amazon Smile Program. You can access this at www.smile.amazon.com, where all your account and preference information carries over, and where you can register the Treasury Historical Association as your designated non-profit organization.

Amazon will donate to THA 0.5% of the eligible purchases that you make online – a great and easy way to help THA in its mission of historic restoration and education. While the percent-age of Amazon's donation from their profit of your purchase might seem low, on the cumulative basis of many THA members' purchases, the donation to THA by Amazon can be very helpful to THA's mission.

While Father Time is Leaving, Keep THA in Mind for a Gift

The end of the calendar year is fast approaching, with the month of December having a full calendar of events for many THA members. As you plan your end-of-year donations, please keep THA on your gift-giving list.

For those members who have reached the age where a Minimum Required Distribution applies to their Individual Retirement Accounts (IRA), a gift to THA in the form of a Qualified Charitable Distribution (QCD) is an easy way to help THA, and this also provides a tax benefit to the individual by reducing or eliminating the tax burden from this additional income. More specifically, a QCD will reduce the Adjusted Gross Income (AGI) on your 1040 tax form, and is of particular benefit for those who cannot itemize deductions under the increased standard deduction and $10,000 limit on deducting state and local taxes under recent tax law changes.

Please consider giving your donation to THA – or even a Life Donor membership --- through a QCD. THA's Employer Identification Number (23-7389186) may be needed by your IRA administrator.

Also, THA now has arrangements in place that permit tax-deductible donations to be made in the form of stock shares. If this is of interest to you, please telephone THA, and a member of the Board will contact you with the information you will need to make a tax-deductible stock donation to THA through its brokerage agent.

From the Editor

Our thanks to Tom O'Malley and Cora Beebe Fosdick for submitting articles for this issue and to Janet Auten for editing help. Special thanks goes to George Hall for contributing the article based on his THA lectures and his scholarly research paper with Thomas Sargent, winner of the 2011 Nobel Prize in Economics.

The article on Bay Buchanan's THA lecture is based on notes taken during her talk. We plan to make articles by lecture speakers and lecture notes a regular part of THA newsletters so that all members can benefit from the lecture series.

In addition to articles based on THA lectures, we welcome submission of, or suggestions for, articles and photos about other subjects relating to Treasury history. For example, articles about members' collections of Treasury memorabilia or anniversary articles about Treasury bureaus or major events would be of interest. Please send us your suggestions for future articles and topics of interest to THA members and friends of the Treasury.

Jerry Auten, editor

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