



**TREASURY HISTORICAL
ASSOCIATION**
April 2021

NEWSLETTER

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62nd Treasury Secretary George P. Shultz: 1920-2021

We are saddened to learn of the February 6th passing of George Pratt Shultz, the 62nd Secretary of the Treasury. Earlier, he served as the 19th Director of the Office of Management and Budget and the 11th Secretary of Labor, later as the 60th Secretary of State.



***Secretary Shultz's portrait is displayed
on the Treasury Building's third floor***

After these four important, senior positions in the Executive Branch of the U.S. Government, Secretary Shultz continued his public service with 30 years at the Hoover Institution at Stanford University, where he worked on national economic, diplomatic, and environmental issues and strategies. One of his later writings advocated adoption of a carbon tax to address climate change issues, using economic incentives. He remained active in economic policy issues, even at age 100. During his career in Government and afterwards, he made significant contributions to benefit the Nation.

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Treasurer Withrow Creates Museum on Treasury in Ohio

Mary Ellen Withrow served as the 40th U.S. Treasurer (1994-2001) and has been active in THA for many years. She recently established a museum in her hometown of Marion, Ohio (about a one hour drive from Columbus) to provide educational information about the U.S. Treasury Department, the role of U.S. Treasurers, and government finances in general.

Currently located in a large room at the retirement community where Ms. Withrow lives, the museum is slated to move later this year into the Marion County Historical Society's building in downtown Marion. This will be much more readily accessible, enabling visits by school groups and other interested individuals.

The museum's collection includes many items relating to Ms. Withrow's time at the Department, including special exhibits of U.S. currency, commemorative coins and medals created by the two bureaus she oversaw: the Bureau of Engraving and Printing and the U.S. Mint. These items include currency notes autographed by Lloyd Bentsen, Robert Rubin and Lawrence Summers - the three Treasury Secretaries she served under during her tenure as U.S. Treasurer. Her engraved signature also appears on these notes.

Among the other currency items in Ms. Withrow's museum's collection are fractional currency -- the Treasury's banknotes of less than one-dollar value that were issued during the Civil War to redirect metals from coinage to manufacturing cannon and other wartime materials -- and a \$20 bill that she autographed and gave to astronaut-Senator John Glenn to take with him as a "good-luck" item for his second mission in space. Upon his return to Earth, Senator Glenn -- a fellow Ohioan -- returned the banknote to her as a memento of his historic flight, accompanied by a certificate signed by the entire astronaut flight crew.

During her tenure as U.S. Treasurer, the Department introduced a major redesign of U.S. currency -- the first major currency change since the late 1920s. The new currency incorporated advanced anti-counterfeiting technology in denominations of \$5 and above, including, for the first time, a color-shifting ink in the lower right corner of each bill.

Another major initiative during her term was the issuance of Sacagawea gold dollar coins, first minted in 2000, in recognition of Native American cultures.

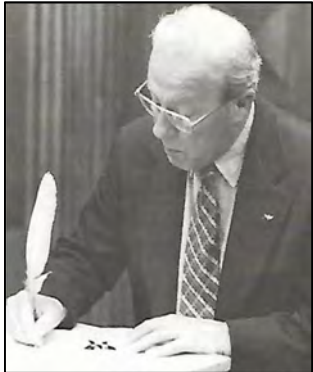
Continued on page 2, column 2

Secretary Shultz, continued

The Treasury Historical Association recognizes Secretary Shultz in another unheralded role as the senior Founding Father of THA. Four months following his appointment as Secretary, the Department of the Interior designated the Treasury Building as a National Historic Landmark and entered it in the National Register of Historic Places.

Shortly afterwards, Secretary Shultz and his senior staff recognized the benefits of establishing a nonprofit organization to partner with the Department to assist in restoration and preservation of the Treasury Building and other Treasury-owned historic buildings, as well as to assist in research and education on the history of this great department, the second oldest in the Federal Government.

Secretary Shultz encouraged the research and planning and endorsed the recom-



mendation of his senior staff to establish THA.

As the first one to sign THA's Charter on December 13, 1973 – our founding day and

his 53rd birthday – he became THA's very own "John Hancock."

Secretary Shultz's 100th birthday was this past December 13. THA recognized and congratulated him on his 99th birthday in 2019 as he began his centennial year and again this past December.

To celebrate his 100th birthday, former senior government officials and academic scholars came together in a 2-hour Zoom tribute to convey their deep respect for Secretary Shultz and appreciation for his contributions to the Nation. You may view the video tribute to Secretary Shultz by going to www.youtube.com and searching for George Shultz A Lasting Impact.

We are also grateful to Secretary Shultz for his vision, endorsement and creation of THA and his continuing support to us over the past 47 years.

Franklin Noll, Ph.D., President, THA
Thomas P. O'Malley, Board Chairman, THA

Treasurer Withrow, continued

One of the images in the museum's photographic collection is of Ms. Withrow at the special ceremony at this coin's introduction. Among her favorite items is a display of state commemorative quarters, a project that she oversaw during her time at the Treasury Department, with her striking the first three state coins.

Ms. Withrow's duties at Treasury also included oversight of the Savings Bonds Division, a bureau that had responsibility for marketing Series EE bonds as investments for all Americans to save for the future. Her museum includes a World War II bond (a.k.a., "war bond") signed by Treasury Secretary Henry Morgenthau and posters of her travels for the Savings Bonds Division to promote the sale of bonds to the public. During World War II, bonds were especially popular because they allowed private investors to show their patriotic support for the government while earning interest on their savings.

More personal items include her U.S. Treasurer's appointment certificate signed by President Clinton and photos of her presenting Olympic commemorative coins to President Clinton and Vice President Gore in the Oval Office. Also on display is the Guinness World Record Award given to Ms. Withrow for having her signature printed on more U.S. bills than anyone else in the history of our Nation – 68,146,560,000 bills with a value of over one trillion dollars (and she had another nine months still to go as Treasurer).

Besides the many Treasury-related items and memorabilia, there are other items that pertain to broader topics and to Ms. Withrow's previous government positions as Marion County's treasurer, elected in 1976 and 1980, and as Ohio's treasurer elected in 1982, 1986 and 1990. She is unique in being the only person who has served as treasurer at the local, state and Federal government levels. She was also the first woman to be elected to the Elgin, Ohio, School Board in 1969.

Ms. Withrow has been a long-time Life Donor member and active supporter of THA and its efforts to promote the study of Treasury history and the preservation of the Treasury Building. After leaving Treasury, she served on the THA Board of Directors for four years and has been serving as a Counselor for THA's current Campaign for Alexander Hamilton's Treasury for the past two years.

Her museum reflects her lifelong belief in the importance of both education and

history. She particularly wants people to not just observe history, but to remember history, especially the younger generation. In her words "our past is something that they should know."

With great respect for Ms. Withrow's long career as a treasurer at all levels of government and her long-time dedication to education, the city of Marion, Ohio, has named two new schools in honor of the 40th United States Treasurer – the Mary Ellen Withrow Middle School Academy and the Mary Ellen Withrow High School Academy.

THA Lecture Series

THA has had three lectures in 2021, two of which were part of a new joint Treasury/THA webinar series, "Topics on the History of the Dollar," which explores the history of the dollar from the Revolutionary War to the present. Details are in an article below.

On March 23, Jonas Gross of the University of Bayreuth and the Digital Euro Association presented the first talk in the the History of the Dollar series, "Cryptocurrencies, Stablecoins, Central Bank Digital Currencies, and the Impact on the Dollar."

On April 20, Kurt Schuler of the Office of International Affairs presented the second lecture in the series, "The Dollar Goes International, 1945-2007." An article based on his talk follows in this issue.

On April 15, the THA lecture series hosted a celebration of the 60th Anniversary of the Office of Tax Policy. A short article in this issue gives a few highlights of this event and office history.

With Treasury employees working from home and the Treasury Building closed to the public, THA lectures have become virtual and are expected to continue on-line at least until the Fall of this year. One benefit is that the lectures can be seen by those who previously had not been able to attend a Cash Room lecture. In addition, the lectures are recorded and later posted on the THA website. Almost all 2020 and 2021 noontime lectures were filmed and are now on our website, plus several from 2019. To view the lectures, you may go to www.treasuryhistoricalassn.org. Click on the Education tab, which will give you a 'drop-down' to select Filmed Lectures, and an index will appear for you to access the various recorded lectures.

THA is planning additional on-line lectures in 2021. Members will be kept informed and alerted when it is time to register for these lectures.

New THA/Treasury Webinar Series on the Dollar

This year, the Department of the Treasury and the Treasury Historical Association are presenting a new webinar series entitled “Topics on the History of the Dollar,” which will explore the history of the dollar from the Continental of the Revolutionary War to developing digital forms of the dollar.

The series was based on an idea by Robert Palute of Treasury’s Office of Intelligence and Analysis. Topics and speakers were then developed by THA President Franklin Noll. Webinars will be run by Palute and the Department for the benefit of Treasury employees and will not be open to the public. However, THA members will be invited to join in viewing the webinars on a members-only basis.

Topics on the History of the Dollar webinars will be presented by scholars from around the world, in reverse chronological order, moving from the present back to the birth of the dollar. The first webinar covered the digital dollar and the current state of cryptocurrencies. The series then moved on to review the Bretton Woods system, the rise of the Federal Reserve, the nineteenth-century struggles over gold and silver, the Civil War-era rise of national banks, the Mint in the time of Jackson, and finally, the Continental Dollar.

THA members will be notified of the webinars and how to sign-up to view them.

The U.S. Dollar Goes International: 1945-2007

By Kurt Schuler

To understand the origins of the dollar’s dominance in the world monetary system since World War II one must consider the effects of World War I. For a century, the pound sterling had been the leading currency, reflecting Britain’s advanced industry, status as the leading creditor nation, political stability, vast empire, and ability to maintain the gold standard without interruption. The costs of the war strained Britain’s finances. The United States, officially neutral until more than two years into the war, quickly changed from being the world’s largest debtor to its largest creditor as Britain and other countries tapped it for war goods and financing. The dollar vaulted from a secondary currency in world finance to a true rival to sterling.

In the years between World War I and World War II, the dollar and sterling vied for supremacy as the twists and turns of

world politics, the Great Depression, and national monetary policy affected investor confidence. Despite the problems of sterling and the dollar, many other currencies had much worse performance, suffering high inflation and pervasive exchange controls as their governments attempted without lasting success to return to the pre-World War I gold standard.

The lesson policymakers drew from the experience of the interwar period was that the world monetary system needed an explicit international agreement to avoid what they saw as the excessive rigidity of the prewar gold standard and the inflationary dangers of floating exchange rates. The conference of Allied nations at Bretton Woods, New Hampshire in July 1944 created such an agreement, the first of its kind. To oversee the new system, the agreement created the International Monetary Fund, with the World Bank as a sister institution.

Because it remained neutral for more than two years at the start of the war and was remote from the battlefields, the United States emerged from World War II more dominant in the world economy than any country ever has been or probably ever will be. It produced more than 40 percent of world output and held more than 60 percent of the world’s monetary gold. The dollar was the only major currency strong enough to avoid exchange controls after the war: no other major currency would be fully convertible for more than 15 years. It was therefore logical that it should be at the center of the Bretton Woods monetary system, which began operating in 1946. The dollar was tied to gold at \$35 per troy ounce, and foreign monetary authorities could exchange dollars for gold at that rate. (Americans had been prohibited from owning monetary gold since 1933.) Gold earned no interest, however, and was inconvenient for payments, so in practice the Bretton Woods system was a dollar-based system. As Britain granted its colonies independence, many decided to switch from sterling to the dollar as their anchor currency, because sterling was a chronically weak currency until the 1980s. By the time sterling regained credibility, it remained the anchor only for a few small overseas British territories.

For countries that participated in the Bretton Woods system—basically, all noncommunist countries—the results were impressive. Economic growth was high and widely shared, across and within countries. Trade boomed. Financial crises were infrequent, although there were occasional devaluations of major currencies in the advanced economies and more frequent ones in some countries

we would now term emerging markets. High inflation was rare. Exchange controls diminished over time, although the Bretton Woods agreements allowed countries to retain capital controls indefinitely if they wished.

For communist countries, the results of the period ranged from decent but not impressive growth in Eastern Europe to the worst famine in history in Mao Zedong’s China. To the extent they interacted with capitalist countries, these countries could not avoid the dollar unless they used barter. To avoid the risk of having its dollar assets seized by the United States, though, a Soviet bank in London, Moscow Narodny Bank, is credited with having invented the Eurodollar market in the late 1950s.

The Bretton Woods system had one big flaw: its overreliance on the dollar. In the 1960s, the gold backing for the dollar declined both in percentage terms and absolutely. The Federal Reserve did not tighten monetary policy appropriately to counteract the loss of gold reserves. The problem was partly political: the Fed didn’t want to derail growth. Top Fed and Treasury Department officials also seemed to have forgotten that at bottom inflation is a monetary phenomenon. Rather than setting their own house in order, they tried expedients that looked elsewhere, such as the Gold Pool, the Interest Equalization Tax, tariffs, and wage and price controls.

President Richard Nixon in effect ended the gold standard in August 1971, though widespread floating of major currencies did not begin until 1973. Revealingly, the dollar remained at the center of the world monetary system. Other countries did not stay on the gold standard, providing further confirmation that the Bretton Woods system had in practice been dollar-based rather than gold-based. Gold lost its status as a means of payment, though it remained a significant reserve asset for many central banks.

Without gold as an anchor, the Fed and many other central banks struggled to find a suitable replacement. Inflation in the United States rose into low double digits, and for a time in the late 1970s it seemed possible that the dollar might lose or at least have to share its leading role. Then under the chairmanship of Paul Volcker, the Fed reduced inflation to mid single digits and regained credibility for the dollar, though at the cost of two recessions. (In 1971 Volcker had been involved in the decision to abandon gold, as Under Secretary of the Treasury for Monetary Affairs.) The U.S. economy remained the world’s largest, enjoying good growth from the mid-1980s through the 1990s. After a

considerable amount of groping for a new monetary anchor, inflation targeting emerged as the implicit and later explicit choice for countries that wished to have floating exchange rates. "Clean" floating was rare; most countries that floated had "dirty" floats in which their central banks intervened from time to time by buying or selling dollars in the foreign exchange market. For countries that did not float, the dollar remained the most popular anchor.

The euro immediately became the world's second-leading currency when it was established in 1999. It was a kind of return to, or intensification of, Bretton Woods in the sense of eliminating exchange rate fluctuations among member countries, although the exchange rate with the rest of the world floats. The euro has never rivaled the dollar for the top spot, which I attribute mainly to Europe's slower growth and more fragmented financial markets compared to the United States. The dollar not only has a single issuer of Treasury bonds rather than multiple issuers; it has deep markets for foreign exchange, bank deposits, corporate bonds, equities, swaps, and derivatives that enable large volumes to trade without moving prices substantially. If the euro, the Chinese yuan, a cryptocurrency, or some other candidate is to displace the dollar from the top spot, I think it will need to offer depth in a variety of financial markets; being useful in international trade or as an inflation hedge will not be enough by themselves.

Kurt Schuler is an economist in the Office of International Affairs. This article summarizes his talk to THA on April 20, 2021, the second in a series of talks by various speakers on the history of dollar. The talk and article reflect his personal views only.

60th Anniversary of the Office of Tax Policy

The Office of Tax Policy (OTP) was created on March 2, 1961 by Treasury Secretary C. Douglas Dillon by Treasury Order No. 148, Revision 10. The new office was to be headed by an Assistant Secretary and consist of three offices: Tax Analysis, Tax Legislative Counsel and International Tax Affairs. As a result, it combined in a single office the economists and lawyers working on tax issues that were previously in separate organizations.

The new office became official on April 13, 1961, when Stanley S. Surrey was confirmed by the U.S. Senate and sworn in as its first Assistant Secretary. He remained in this position for eight years.

On April 15 (Tax Day in most years), THA sponsored an event to celebrate OTP's 60th anniversary as part of its lecture

series in an on-line event. Secretary Janet Yellen provided a pre-recorded opening greeting.

In addition to THA members, the event brought together 130 current and former OTP staff and officials. Nine former OTP people each spoke for about 5 minutes about their time at Treasury. These included Don Lubick (3 times in OTP), Joe Guttentag, Dan Halperin and Emil Sunley who served in OTP in the 1960s under Stanley Surrey. Gene Steuerle, Eric Toder, Pam Olson and Ruth Madrigal served during more recent administrations. Leslie Samuels and Michael Graetz also spoke during the "open mike" period.

The OTP has been involved in many of the major tax reforms since 1961, including most importantly the Tax Reform Acts of - 1969 and 1986. Appointees and staff have always taken great pride in providing the best professional advice and refusing to tinker with the numbers to please any current administration.

In addition to celebrating the 60th Anniversary, goals of this event included bringing together staff and appointees of all periods to share stories and learn about office history. Another goal of the project was to collect documents and written stories about things that happened "in the rooms where it happened" so that this history is not lost. These materials will be collected and made part of the Treasury Library's digital collection.

The video for this event can be viewed along with other recorded lectures at THA's website under the Education tab, as cited on the page 2, column 3.

The Great Treasury Fire of '96

June 26, 2021 marks the 25th anniversary of the third major fire in Treasury Building history: the Great Treasury Fire of 1996.

In August 1814, the British marched on Washington and burned the first Treasury Building (along with the White House). Then they went across the street to enjoy a chicken dinner at Mrs. Suter's Boarding House, while watching the Treasury burn.

In 1833, some Treasury employees set fire to the second Treasury Building to destroy evidence that they had been writing and cashing military pension checks of deceased soldiers for their own benefit.

In 1996, the roof of the Treasury Building was undergoing renovations to correct a long-standing problem of water leaks. To waterproof the metal roof, workers were applying new coatings, using blowtorches as part of the process. June 26 was such a hot day that the workers were sent home early. Unfortunately, no one noticed

smoldering under the roof directly over the Cash Room. Tax Analysis staff in fifth floor offices directly under the fire noticed a burning smell, but such a smell was not uncommon when someone had burned popcorn in an office microwave oven.

A Secret Service guard on the roof of the White House noticed smoke coming from the Treasury roof and called the Secret Service in Treasury to alert them to check out where the smoke was coming from.



Fire trucks, firefighters, and ladders to the Treasury roof on 15th Street

By the time the fire alarm was set off and the fire department called, several hours had passed. Staff had received a notice to expect a practice fire drill, so many were not prepared for what followed.

Staff spilled out onto the sidewalk and headed to assigned meeting places. Not having had a staff meeting in months, the business tax economists agreed to meet in the rooftop bar in the Hotel Washington (now the W Hotel). They discovered the revenue estimators had the same idea. So like the British in 1814, they all drank beer together and watched the Treasury burn.



Staff watching Treasury burn from the Hotel Washington rooftop bar

A THA brochure to raise funds to help recover from the damage to the Cash Room's gilded ceiling gave the following description:

Smoke filled the Treasury Building. Water cascaded down the grand staircases of the North Wing from the fifth floor to the basement. Thousands of gallons of water leaked through the plaster ceilings, making the Cash Room, offices and corridors uninhabitable.

In addition to significant damage to the previously restored Cash Room, water severely damaged the historic plaster moldings in the north domes and devastated the fourth floor conference room. Many offices on all floors of the north wing also suffered considerable damage to desks and carpeting as well as books and records.

Staff were not allowed to return to the building for several weeks: the first time was only to pick up personal items left in offices in the haste to leave the building. The effects of the fire were not all bad, especially in the long run. While assessing the damage, officials recognized the poor condition of the ancient plumbing and wiring and sought funds for a complete renovation to bring the building's utilities up to modern standards. Congress appropriated funds and THA raised funds for restoring the Cash Room ceiling. The Treasury Building and Annex Restoration and Renovation (TBARR) project took place in stages over the next eight years. The current restored condition of much of Main Treasury owes its existence to the Great Treasury Fire of 1996.

New Materials on the Web: Video Tour of Main Treasury, Treasury Historical Materials

While regular tours of the Treasury Building have been shut down for over a year, THA produced a special video tour for the Social Register Association last Fall.

Nearly 500 persons joined the virtual tour, which included images of rooms not normally - or ever - seen on regular Saturday tours. Among the popular topics during the tour were the portrait collection, the relationship with the Office of the Secretary and the National Gallery of Art, the underground tunnel network including one of its connections, the Freedman's Bank Building across Pennsylvania Avenue. Some of this was available from archived CSPAN-TV images we were able to use and access to the priceless collection of vintage photographs in the Curator's collection. The informed and curious audience asked an additional 20 minutes of questions, testing the presenters' knowledge, ranging from how the THA identifies treasures lost from the building to out-of-circulation currency.

This virtual tour is one of many such web-cast productions that the THA has been making during the pandemic. Given their success, we expect to use this delivery format regularly to reach expanded audiences. Look for these in months ahead.

The Treasury library has been a depository library since 1895, preserving historical and contemporary Treasury documents in on-line accessible form. Treasury librarians Kim Carter and Andy Young recently made a video about on-line postings of Treasury documents. The associated slides proved links to such information as Treasury Annual Reports and press releases, Treasury securities data and even the list of blocked persons. The link to the video and slides is: <https://www.fdlp.gov/historical-and-contemporary-u-s-treasury-content-on-the-open-web> Questions about Treasury Library collections can be sent to: llbraryreference@treasury.gov

THA President's Message

Happy Spring from the THA Board of Directors! Your THA continues to seek ways to fulfil its missions of celebrating the history of the Treasury Building and the Department and promoting financial education.

Working with Robert Palute, Treasury Office of Intelligence and Analysis, the THA has created a year-long webinar series entitled, *Topics on the History of the Dollar*. It will explore the history of the dollar from the Revolutionary War to the present digital age.

Thanks to the hard work of Board members Gerald Auten and Andrew Young, the THA hosted the 60th anniversary of the founding of the Office of Tax Policy (OTP). It was created in 1961 by Secretary of the Treasury C. Douglas Dillon. With multiple speakers and a welcome by Secretary Yellen, it was quite an event.

Board Member Louis Margaglione, with the help of Board Members Joan Arnold and Roy Wyscarver, continued intensive, behind-the-scenes work in creating relationships with various organizations and individuals. These connections will allow the THA to expand its reach in promoting financial literacy and fulfilling THA's other missions.

A social media initiative has been undertaken by Board Member Carter Evans. Focusing on LinkedIn and Instagram, he has been creating posts that highlight the work and interests of the THA. The THA Board would welcome the help of any members in moving forward with this initiative.

Thank you as always for your membership and service to the Treasury.

As always, we welcome members' comments and interest. Feel free to contact me (nollhc@msn.com) or any Board member if you have any input on THA matters.

Franklin Noll, Ph.D., President, THA

From the Editor

Special thanks to Kurt Schuler for his article based on his presentation. Thanks also to Janet Auten for her editing help.

This issue included two articles about Treasury anniversaries where many THA members likely have their own special stories. My story about the 1996 fire was that I was talking on the phone with my back to the North Court when the fire alarm went off. Thinking it was a practice alarm, I was annoyed by the interruption and continued to talk for a few minutes. But hearing all the commotion, I finally went to the hallway door and joined others leaving the building. If I had looked out the window behind me, I would have seen the smoke. It was not until outside on the street that I learned this was a real fire.

We would be interested in personal stories of THA members and other readers about their experiences in the Great Fire of 1996 for future newsletters and perhaps the Treasury Library. Similarly, one of the goals of the event celebrating the 60th Anniversary of the Office of Tax Policy was to collect such stories.

Please send us your Treasury stories and suggestions or materials for future articles and topics of interest for the newsletter.

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Help THA Reach You Faster, More Economically

With our continued progress towards social media use, as well as conventional email, THA wants to be able to reach you quickly.

If you received this newsletter by U.S. mail, please send your "home" email address to us at info@treasuryhistoricalassn.org. This will ensure you receive all our event invitations and information messages in a timely manner. And, sharing information with you by email will also help THA reduce our postage and stationery costs. Thank you for helping.



**TREASURY HISTORICAL
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December 2021

NEWSLETTER

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THA Lecture Series

During 2021, a new joint Treasury/THA webinar series, "Topics on the History of the Dollar," hosted 8 lectures that explored the history of the dollar from the Revolutionary War to the present. Topics ranged from what the Continental Dollar was really worth to the impact of cryptocurrencies on the dollar. Along the way, lectures covered the hard money period, creation of a national banking system and national banknotes in the 1800s, while 20th century lectures covered the creation of the Federal Reserve System in 1913 and the dollar becoming a major international currency after World War II. As part of this series, Ann Daly, winner of THA's Penn Prize (see article in this newsletter) spoke on "Technology and the Politics of Hard Money at the United States Mint."

Another THA event celebrated the 60th Anniversary of the Office of Tax Policy established under President Kennedy. The program included nine speakers from different periods who shared stories about their time at Treasury and the role of the office in major tax reforms.

All lectures this year were virtual. With Treasury employees still working from home and the Treasury Building closed to the public, THA expects to continue with on-line lectures at least through March 2022. One benefit is lectures can be heard and seen by members who previously had not been able to attend a Cash Room lecture. In addition, some lectures are recorded and later posted on the THA website.

Select 2020 and 2021 noontime lectures are now on our website, plus several from 2019. THA is planning additional on-line lectures in 2022. Members will be alerted when it is time to register for these lectures.

Treasury History on the Web

THA's mission is to assist the U.S. Treasury Department in the restoration of the Main Treasury Building and promote education on the history of the Department, the second oldest in the President's Cabinet.

The THA website includes materials and links that can be both entertaining and useful for general knowledge or for more detailed research about the Treasury Department. Under the "Education" tab on THA's website, you can find information about our noon-time lecture program, a collection of filmed THA-sponsored lectures and a bibliography of more than 30 research sources. Under the "Treasury History" tab, we have the first of several oral history reports. Further expansion of the THA website is being planned.

Listed below are other websites of organizations dedicated to capturing and disseminating information on the histories of various bureaus of the Treasury Department, as well as of major Treasury personalities. We encourage you to visit these sites, which provide not only historic content, but also additional references for further research.

The Alexander Hamilton Awareness Society not only has a great collection of information about the first Secretary of the Treasury, but also sponsors research and regular on-line talks. These are posted on their two websites: www.the-aha-society.com and www.allthingsHamilton.com.

The rich history of Treasury's oldest bureau – actually older than the Department itself – the U.S. Customs Service (also called the Bureau of Customs) is documented in the National U.S. Customs Museum Foundation's website, at www.customsmuseum.org. The Customs Service was part of the Treasury Department for 214 years, until it 2003 when it was moved to the Department of Homeland Security and integrated with the Immigration and Naturalization Service, originally part of the Justice Department.

Another earlier Treasury bureau was the United States Life Saving Service. Its history, presented on the website www.uslife-savingservice.org, features stories of bravery to rescue ships' crews and passengers from perishing. It eventually became part of the U.S. Coast Guard. Many of their life saving stations remain today, the closest to Washington, DC being in Annapolis, MD. The website lists those historic stations that can be visited by the public.



The Kill Devil Hills Life-Saving Station, at Kitty Hawk, NC, is shown with four crew members, 1902. This photograph is attributed to Wilbur and Orville Wright. Source: Library of Congress.

Following the nautical theme, the website of the United States Lighthouse Society at www.uslhs.org has great information about the important duties of another early Treasury organization. The site also provides information about tours of certain historic lighthouses. The Light-House Service, also known as the Lighthouse Bureau, was supervised by Treasury's U.S. Lighthouse Board. This organization was also absorbed into the Coast Guard, after a period of being under the Commerce Department.



Lighthouse on Cape Henry, VA was one of the first authorized by Secretary Alexander Hamilton. Source: Library of Congress.

Treasury's Steamboat Inspection Service was created to inspect seagoing and inland waterway vessels to ensure safety for the crew and passengers. Historical information on this Treasury organization – as well as the earlier-mentioned former Treasury bureaus – is documented in the United States Coast Guard Lightship Sailors Association International: www.uscglightsailsailors.org. After entering this website, select from the index "How it all began" to reveal a listing of the former Treasury nautical bureaus that eventually became part of the United States Coast Guard.

A brief history of each of the above Treasury organizations, and more than 30 others can be found in THA's 2013 history book entitled *Birthplace of Bureaus: The United States Treasury Department*.

More Materials on the Web: Video Tour of Main Treasury, Treasury Historical Materials

While regular tours of the Main Treasury Building have been shut down for over a year, THA produced a special video tour for the Social Register Society last fall.

The tour images include some rooms not normally - or ever - seen on regular Saturday tours, thanks to some CSPAN-TV images we were able to use and thanks for access to the priceless collection of vintage photographs in the Curator's collection. To see it, go to: <https://vimeo.com/thetha/review/489586867/78ac276ed71> It runs for about 1 hour, with another 20 minutes of questions and answers. You may need to copy this link into your browser to make it work. If you are prompted for a password, it is (all caps): THASR

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<https://www.fdlp.gov/historical-and-contemporary-u-s-treasury-content-on-the-open-web>

Questions about Treasury Library collections can also be sent to: llbraryreference@treasury.gov

How the Civil War Shaped the Future of Stablecoins

During the Civil War, a new monetary system was born that still exists today and is shaping our stablecoin future. A stablecoin is a cryptocurrency, usually tied to an existing fiat currency such as the dollar, pound, or euro, which seeks to maintain a stable value.

Before the Civil War, there was a decentralized currency system with a myriad of coins and banknotes privately issued through independent banks. There was no U.S. Government paper money at that time. If a bank wanted to issue currency, it had to deposit bonds with its state's banking authority. Usually, a bank could issue anywhere from 90 to 100 percent of the value of the bonds deposited.

However, in some states, one could basically deposit worthless bonds as collateral. And, of course, some banks just ignored the rules. The result was that there were thousands of different banknotes, all with different values. Making matters worse were wildcat banks. A wildcat bank was a fly-by-night operation that appeared in a region and spent its banknotes far and wide. Then, it would just pull up stakes and disappear, leaving worthless banknotes behind.

During the Civil War, Congress and the Lincoln administration overturned the decentralized system, establishing a government monopoly on money. It did this in a number of ways, but the most relevant to the future of stablecoins were through the redefinition of money and the establishment of the National Banking System.

Before the Civil War, money could be "current" or "lawful." Current money was public or private money that was widely used. Lawful money was official money.

Once the Civil War began, Congress began to equate current money with lawful money. An 1862 law stated that no one could issue any instrument "for a less sum than one dollar, intended to circulate as money...or used in lieu of lawful money." In 1864, Congress declared that no one "shall utter or pass...any coins...intended for the use and purpose of current money."

Soon, current money was the same as lawful money. The only money that could circulate freely and be used in payments was official U.S. money.

To end the chaotic situation of private banks issuing thousands of banknotes and establish a U.S. currency union, the National Banking System was created in 1863 under the direction of the Office of the Comptroller of the Currency (OCC). The new national banks would be able to issue their own notes called National Bank Notes.

In effect, the OCC re-established a private currency system using government controlled national banks that met strict deposit (100 percent reserves against issuance) and auditing criteria and issued government approved banknotes. But Congress soon completed the ending of private banknotes by taxing them out of existence. Eventually banknotes of the national banks were replaced by those of the Federal Reserve.

How does the monetary legacy of the Civil War impact stablecoins and cryptocurrency today?

The 19th century fear of private groups issuing worthless currencies, taking their profits, and disappearing seems to have returned. The Stablecoin Classification and Regulation Act, often referred to as the Stable Act, was addressing this very fear, but for stablecoins. The bill, introduced into the U.S. House of Representatives in November 2020, called for any institution issuing a stablecoin to be a member of the Federal Reserve System and to hold 100 percent reserves against any coin issuance. Such Federal regulation, it was hoped, would prevent any "wildcatting." Instead of wildcat banks, we have wildcat stablecoin issuers.

But, the Stable Act rests on a contradiction by basically defining stablecoins as private current money and authorizing their issuance. These authorized stablecoins thus challenge the U.S. monetary monopoly established during the Civil War, clearly violating the laws of 1862 (unless there are no fractional stablecoins) and 1864.

Given the Civil War legislation, are stablecoins illegal? Stablecoins run

into legal trouble when they seek to be in direct competition with the U.S. dollar in retail payments. A stablecoin that tries to replace the dollar as a means of payment in everyday transactions will be identified as current money and thus in violation of the 1864 law forbidding private coins (unless you argue that a stablecoin is not actually a coin or token).

Stablecoins more closely resemble a monetary instrument known as scrip. Scrip is non-dollar-denominated private money that only operates in an enclosed or geographically-limited system and that cannot be directly substituted for U.S. dollars. And, hence, scrip is not a challenge to the U.S. Government's monopoly on money. The only legal private money in the U.S. today falls into this category. So, as long as stablecoins operate in closed, private networks, there should not be a legal problem.

This was the path that the OCC took in its interpretive letter of January 2021 in which it defined stablecoins as a payment mechanism and not current money: "Stablecoins serve as a means of representing fiat currency on an INVN [independent node verification network]. In this way, the stablecoin provides a means for fiat currency to have access to the payment rails of an INVN." This is a fancy way of saying that stablecoins are scrip.

But, an earlier OCC interpretive letter, issued September 22, 2020, allowed national banks to hold stablecoin reserves for stablecoin issuers. This rule allows national banks to facilitate stablecoin issuance when they hold the 100 percent backing reserves. One can now envision a nationwide network of stablecoin issuers resting on the National Banking System. Civil War-era National Bank Notes are replaced with stablecoins.

The Civil War replaced a decentralized monetary system with a centralized one, and in the process established monetary definitions and structures that exist to this day. This Civil War legacy is still shaping the development of stablecoins and cryptocurrency in general today.

A version of this article by Franklin Noll, Ph.D. was published in *CoinDesk*, June 8, 2021.

Rand Scholet: 1957-2021

We are saddened to learn of the passing of Rand Scholet, the founder of the Alexander Hamilton Awareness Society.

After a 25 year career with IBM, he retired to dedicate himself to reading about, researching, and analyzing the accomplishments of our Founding Fathers.

He read 51,000 pages on early American history, including 44 biographies on Hamilton. He ranked Alexander Hamilton second, behind only George Washington, in his list of the top ten founding Fathers during the key Founding Period from 1776 to 1797.

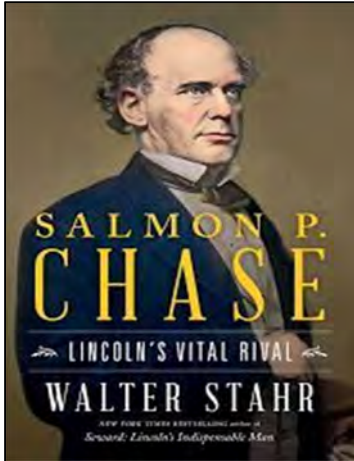
In October of 2011, he founded a new organization: "The Alexander Hamilton Awareness Society" ("The AHA Society") to promote wider recognition of the key contributions of Alexander Hamilton as an aide to Washington in the Revolutionary War, the principal author of the Federalist Papers promoting ratification of the Constitution, and the first Secretary of the Treasury.

Rand's fundamental belief, summarized in a presentation at the Museum of American Finance in 2012, was that Alexander Hamilton "created the vision and foundation upon which the United States achieved greatness." Note that this was all long before the "Hamilton" musical raised public awareness.

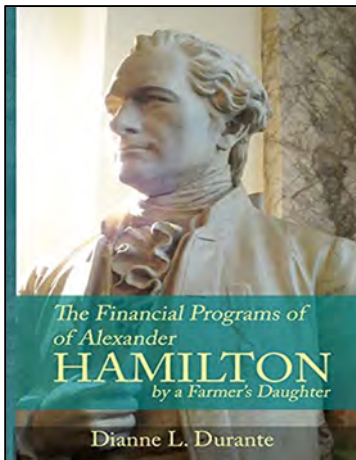
The work of the AHA Society will continue under its president, Rand's daughter Nicole Scholet and vice-president Sergio Villavicencio. Recent activities have included a book club with on-line talks by authors of recent Hamilton-related books. Up to date as well as extensive historical material and videos of past events can be found on their website: www.the-aha-society.com

Rand's infectious enthusiasm, deep knowledge, and dedication will be greatly missed.

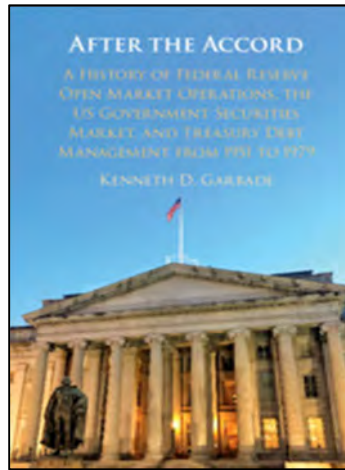
New Books on Treasury History



A new biography, *Salmon P Chase: Lincoln's Vital Rival*, comes out February 22, but is now available for pre-order. Using previously overlooked sources, biographer Walter Stahr provides new insights into the major contributions of Salmon Chase: to the anti-slavery movement and founding of the Republican Party before the Civil War as well as while serving as Secretary of the Treasury under Abraham Lincoln.



Financial Programs of Alexander Hamilton, by a Farmer's Daughter by Dianne Durante takes a unique look at Hamilton's programs from the perspective of Hamilton's contemporaries, using primary sources. What would the man who cornered Secretary Hamilton in a tavern, or the woman who sat across from him at a dinner party, tell Hamilton he urgently needed to fix? How did Hamilton's programs address their issues? And what made his programs so useful that they remained in place long after the crises of the 1780s and 1790s were resolved?



After the Accord: A History of Federal Reserve Open Market Operations, the U.S. Government Securities Market, and Treasury Debt Management from 1951 to 1979 by Kenneth Garbade traces the evolution of open market operations, Treasury debt management, and the U.S. government securities markets following the 1951 Treasury-Federal Reserve Accord..

1500 Penn Prize for 2021

The winner of the 2021 1500 Penn Prize is Ann Daly, Ph.D. Assistant Professor of History, Mississippi State University and Hench Post-Dissertation Fellow, American Antiquarian Society. Her winning paper is entitled "The Democratic Machine: Hard Money, Partisan Politics, and Technological Change at the U.S. Mint. 1828-1836."

When the U.S. Mint finally got a steam press in 1836, Democrats considered it to be a political victory. Motivated by a distrust of the Second Bank of the United States, partisans were waging a war against banking and paper currency, seeking to replace them with gold and silver coins produced by the U.S. Treasury. However, the Mint's hand-powered machinery simply could not produce enough coinage to meet Democrats' demands. In response, the Mint modernized the minting process to radically increase production in line with the goals of Jacksonian officials. The Mint became a coining factory dedicated to replacing bank-issued paper with hard money dollars.

THA's 2022-2023 Board

Following our recent nomination and election process, the below is a listing of the directors for the 2022-2024 term of office. Officers will be elected by the new Board next month.

Joan W. Arnold
 Gerald E. Auten, Ph.D.
 Michael T. Caires, Ph.D.
 Carter M. Evans
 Cora P. Beebe Fosdick
 Abby L. Gilbert
 Gary Grippo
 Louis A. Margaglione
 Renée Mathieu
 Deval Mehta
 David J. Monroe
 Monique Nelson
 Franklin Noll, Ph.D.
 Thomas P. O'Malley
 Lori Santamarena
 David Thomson, Ph.D.
 Roy A. Wyscarver, Ph.D.
 Andrew F. Young

THA President's Message

Happy Holidays from the THA Board of Directors!

As a new year approaches, your THA continues to seek ways to fulfil its missions of celebrating the Treasury Building and the history of the Department and promoting financial education.

Working with Robert Palute, Treasury Office of Intelligence and Analysis, the THA concluded a year-long webinar series entitled, Topics on the History of the Dollar, which was open only to Treasury employees and THA members. The series covered everything from the Continental Dollar of the Revolutionary Period to the cryptocurrency of today.

Our 1500 Penn Prize winner this year was Ann Daly, Ph.D. She wrote about the adoption of steam-driven equipment by the U.S. Mint during the Andrew Jackson administration. 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.

The THA was also pleased to recently welcome its newest members of the Board of Directors: Monique Nelson, formerly part of the Treasury's Office of the Curator; David Thomson, Ph.D., professor of history at Sacred Heart University; and Reneé Mathieu, formerly of Treasury's International Affairs Office.

Board Member Louis Margaglione, with the help of Board Members Joan Arnold and Roy Wyscarver, continued their intensive, behind-the-scenes work in creating relationships with various organizations and individuals. These connections will allow the THA to expand its reach in promoting financial literacy and fulfilling THA's other missions. And, Board Member Carter Evans continues his social media campaign to get out THA's message.

My thanks to them and all of our members for their support.

As always, we welcome members' comments and interest. Feel free to contact me (nollhc@msn.com) or any Board member if you have any input on THA matters.

Franklin Noll, Ph.D., President, THA

From the Editor

Special thanks to Tom O'Malley and Frank Noll for contributing their articles for this issue. Thanks also to Janet Auten for her careful editing.

The untimely passing of Rand Scholet was a shock and a personal loss. I first met Rand when he attended a THA lecture at which Doug Hamilton spoke about his ancestor prior to the main presentation. Afterward, we toured Main Treasury with stops for photos at the 3rd Floor portrait and the statue of Alexander Hamilton. He introduced me to the AHA Society and their activities in which I then participated.

Please send us your Treasury stories and suggestions or materials for future articles and topics of interest for the newsletter.

Jerry Auten, editor

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With our continued progress towards social media and email, THA wants to be able to reach you in better ways than in the past.

If you received this newsletter by U.S. mail or by email at a .gov address, please send your "home" email address to us at info@treasuryhistoricalassn.org.

We anticipate Federal agencies may increase their email security filters, so we hope you will share your home email address with THA to ensure you receive our messages.

Sharing information with you by email will help THA reduce our postage and stationery costs.