

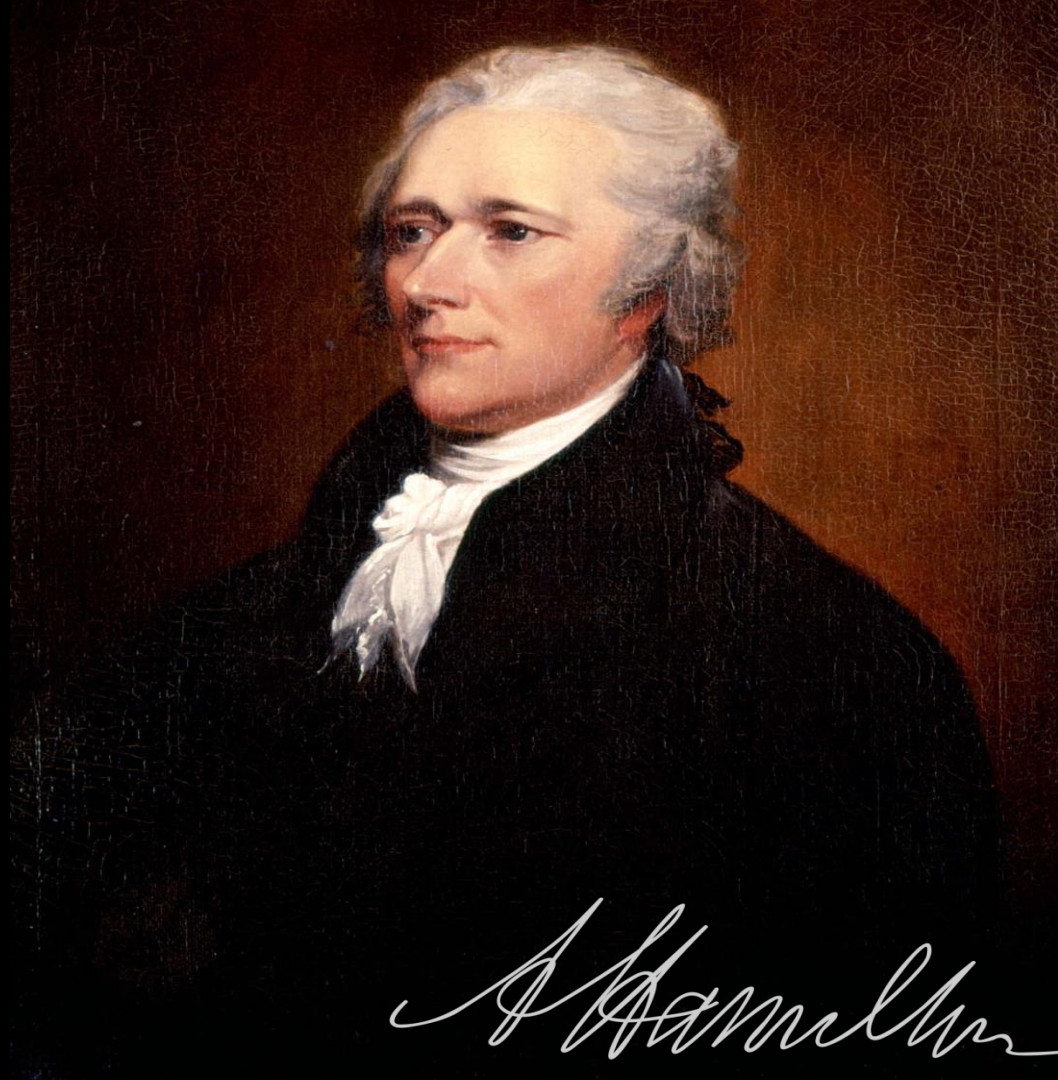
# Hamilton's Central Bank – Then and Now

August 4, 2020

Federal Reserve Bank of St. Louis Webinar

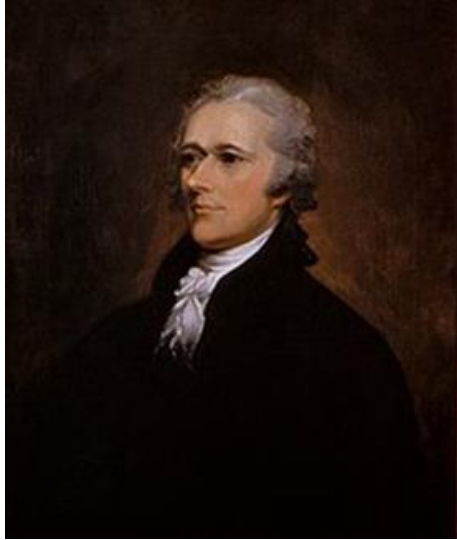
**Niel Willardson**

Senior Vice President and General Counsel,  
Federal Reserve Bank of Minneapolis



A Hamilton

# Overview



- Who was Hamilton?
- Hamilton's influence on the Federal Reserve
- The duel, his legacy, and how his story has been told.





Note. E. Stands for English. F. for French D. for Dutch and Da. for Danes

A MAP of the WEST-INDIES &c. MEXICO or NEW SPAIN. Also of Trade Winds, and of several Tracts made by y<sup>e</sup> Gallies and Flota from Place to Place. By H. Moll Geographer

Note. These Rivers almost meet both of them are Navigable, and all the Cannon and Stores for Acapulco are Carried from the North to the South Sea by them

English Leagues 20 to one Degree



Ohio Settler? Apple tree seedlings available now from John Chapman & Co. Ad...



## Alexander Hamilton

Statesman • Economist • Attorney • Policy Advisor • Entrepreneur • Influencer

New York, New York

[Message](#)



King's College, NY



US Dept of Treasury



United States Army



See contact info



18 connections

All-around statesman with 25 years' experience. I'm a public policy expert with a passion for centralized economic equality and banking stability. I am a community organizer and think tank consultant who enjoys dabbling in military efforts, publishing and entrepreneurship.

### Experience



Attorney-at-Law, New York State

1795-present



United States Department of the Treasury

Secretary of the Treasury

1789-1795 • 6 years

As the first Secretary, I designed the Department of the Treasury, introduced plans for the new nation's central bank and mint. This position was heavy on networking, compromise and policy-making. Satisfaction of War debt was a key issue. Ultimately, I promoted a strong, centrally-controlled Treasury to provide stability and economic equality, in a fast-changing new republic.



United States Continental Army

Aide-de-Camp to General George Washington

Lieutenant-Colonel

1777-1781 • 4 years

As Aide-de-Camp to the General, I drafted letters to political leaders, influencers and supporters; coordinated supplies and munitions movements, and assisted the General in a variety of strategic missions to achieve success during the Revolutionary War. In this position I managed the general's busy military and social calendar while also acting as his occasional delegate in networking and support-building efforts.

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"Father of Our Country"



John Jay • 2nd  
Chief Justice at SCOTUS



James Madison • 1st  
Secretary of State at USA



Gilbert du Motier • 1st  
Marquis de Lafayette



Aaron Burr • 1st  
Vice President at USA



Thomas Jefferson • 1st  
President at USA



Hercules Mulligan • 1st  
Accountant; Tailor;  
Founder at Manumission Society



John Laurens • 1st  
Aide-de-Camp; Diplomat



Philip Schuyler • 2nd  
General at US Army;  
Senator at USA



Alex McDougall • 1st  
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State Senator at New York; Banker



Eliza Hamilton • 1st  
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Statesman • Economist • Attorney • Policy Advisor • Entrepreneur • Influencer  
New York, New York

[Message](#)

All-around statesman with a passion for centralized government, a community organizer, and a community organizer, publishing and editing the first newspaper in the United States.

**Experience**

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1795-present

United States  
Secretary of the Treasury  
1789-1795 • 6 years

As the first Secretary, I planned for the new nation's financial future, networking, compromise, and stability and economic growth.

United States  
Aide-de-Camp to General  
Lieutenant-Colonel  
1777-1781 • 4 years

As Aide-de-Camp to the General, I influenced and supported the General's military and social calendar while also acting as his occasional delegate in networking and support-building efforts.



King's College, NY



US Dept of Treasury



United States Army

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# Re-examining Hamilton on Race

- “[A]ll men have one common origin: they participate in one common nature, and consequently have one common right.” – Alexander Hamilton
- Slavery “was a system in which every character in our show is complicit in one way or another.” -- Lin Manuel Miranda
- “It’s not a purely heroic narrative,” she said. “It’s not just celebration. The Founders accepted slavery as an institution.” – Annette Gordon-Reed
- “[W]henver the issue of slavery came into conflict with Hamilton’s central political tenet of property rights, his belief in the promotion of American interests, or his own personal ambition, Hamilton allowed these motivations to override his aversion to slavery.” -- Ankeet Ball



# We the People

insure domestic Tranquillity, provide for the common defence, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this

Section 1. All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

Section 2. The House of Representatives in each State shall have <sup>Qualifications</sup> Representatives.

No Person shall be a Representative who shall not, when elected, be an Inhabitant of that State in which he shall be chosen.

Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers, which shall be determined by adding to all free Persons, Whites, males, who are at least twenty one Years of Age, all other Persons who may be included within this Union, according to the Census, taken every second Year by the People of the several States, Territory, and Possessions.

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For Mr. Church from his Sister  
*Elizabeth* THE *Hamilton*

## FEDERALIST;

A COLLECTION

OF  
ESSAYS,

WRITTEN IN FAVOUR OF THE

NEW CONSTITUTION,

AS AGREED UPON BY THE FEDERAL CONVENTION,  
SEPTEMBER 17, 1787.

IN TWO VOLUMES.

VOL. I.



NEW-YORK:

PRINTED AND SOLD BY J. AND A. McLEAN,  
No. 46, HANOVER-SQUARE.  
MDCCLXXXVIII.

Mr. Jefferson's copy

in order to form a more perfect Union, settle, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this

of the United States, which shall consist of a

every second Year by the People of the several States, Territory, and Possessions.

and within every subsequent Term of Years, which shall be determined by adding to all free Persons, Whites, males, who are at least twenty one Years of Age, all other Persons who may be included within this Union, according to the Census, taken every second Year by the People of the several States, Territory, and Possessions.

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Alexander, unlock your full potential with LinkedIn Premium



See the full list of Who's viewed your profile

Alexander  
Statesman ·  
Entrepreneur  
New York, New York



All-around s  
passion for c  
a communit  
efforts, pub

Experience

Attorney  
1795-present



## United States Department of the Treasury

Secretary of the Treasury

1789-1795 • 6 years

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West Indies Travel

Leopard Tickets  
25 cents, Boston Zoo



# Hamilton Launches Financial Revolution



Revolutionary War

- Public finance
- Central bank
- U.S. Dollar
- Creates commercial banks
- Securities markets
- Foster business



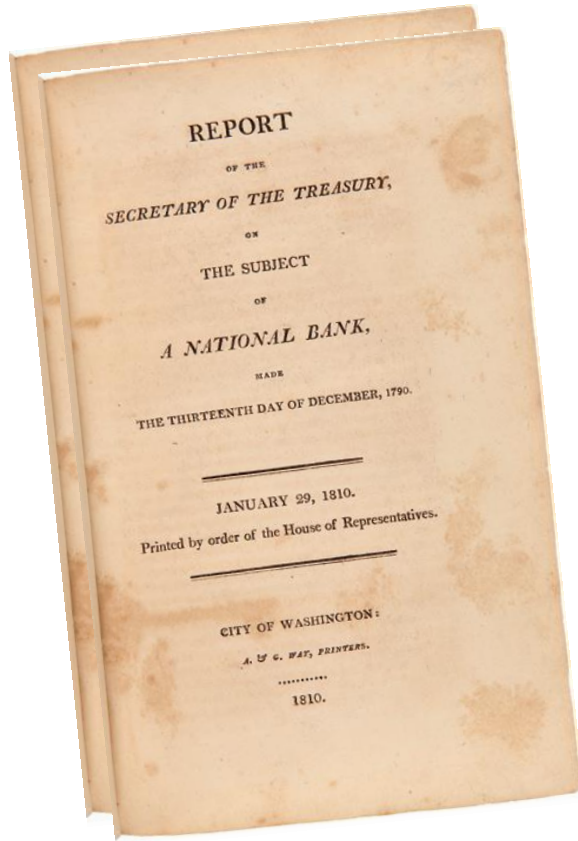
# And a Specific Financial Plan



Flowing Hair Silver Dollar  
issued in 1794

- Government assume war debts
- Funding for running government
- Focus on commerce and industry
- Low inflation
- Form National Bank with some central bank characteristics

# With the Concept of a Central Bank



Functions of the bank:

- Issue currency
- Keep public funds
- Facility for commercial transactions
- Fiscal agent
- Collect tax revenues

# Against the Financial Plan



Thomas Jefferson



James Madison

- Concern about national monopoly
- Constitutionality
- Differing economic view: agrarian vs. commercial
- States' Rights – debt and taxes



# For the Financial Plan



Alexander Hamilton



George Washington

- Constitutional
- Commercial
- Workable
- Economic(al)



THIS PLAQUE MARKS  
THE SITE OF THE FORMER RESIDENCE  
OF  
**THOMAS JEFFERSON**  
THIRD PRESIDENT OF THE UNITED STATES OF AMERICA

*Who, on March 21<sup>st</sup> 1790 as First Secretary of State under  
President Washington, came to New York City, then  
the seat of the Federal Government and resided on this spot.*

57 MAIDEN LANE

*This tablet erected by The Home Insurance Company New York*  
1929



The Room  
Where it  
Happened



# The Room Where it Happened

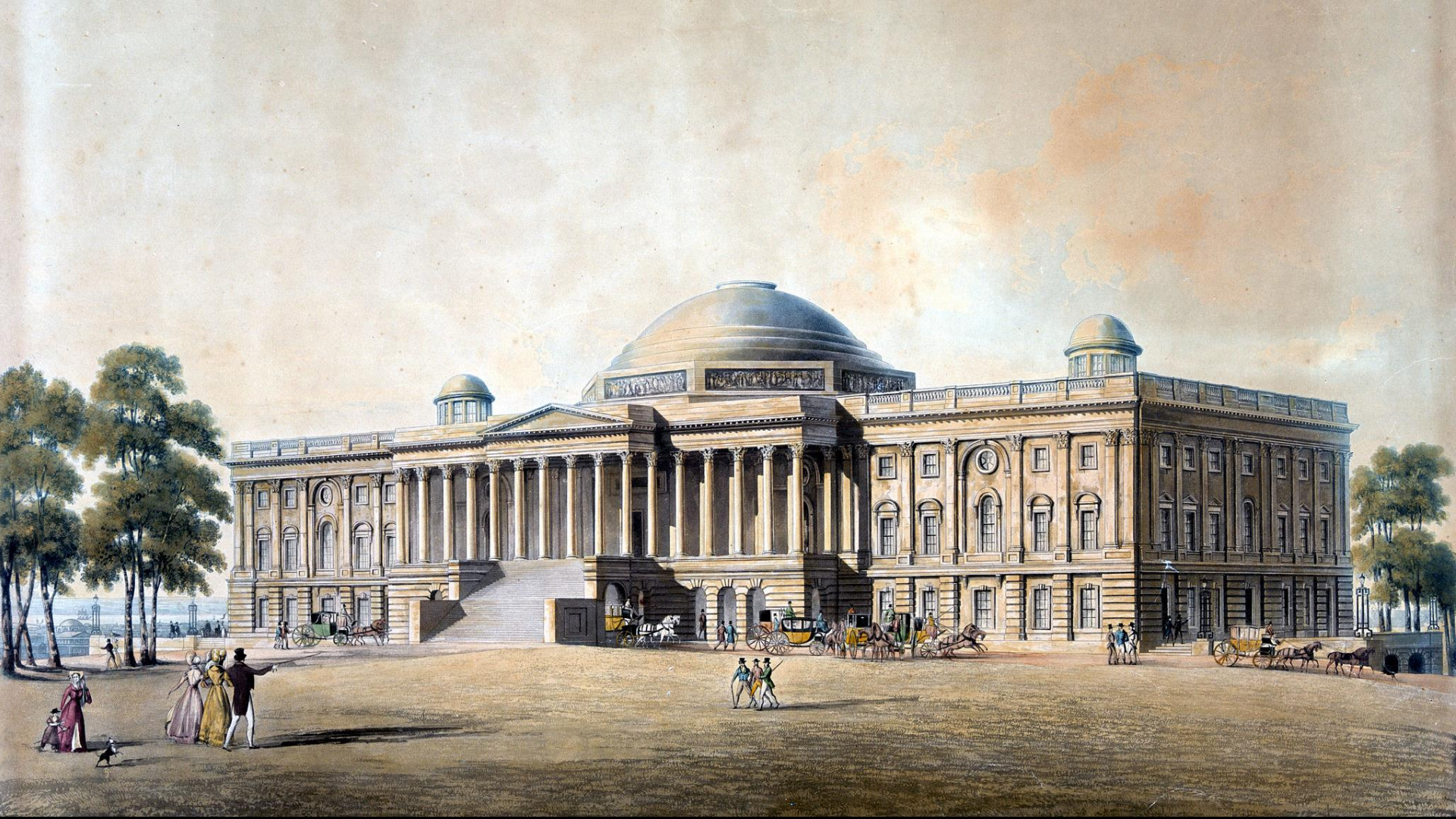




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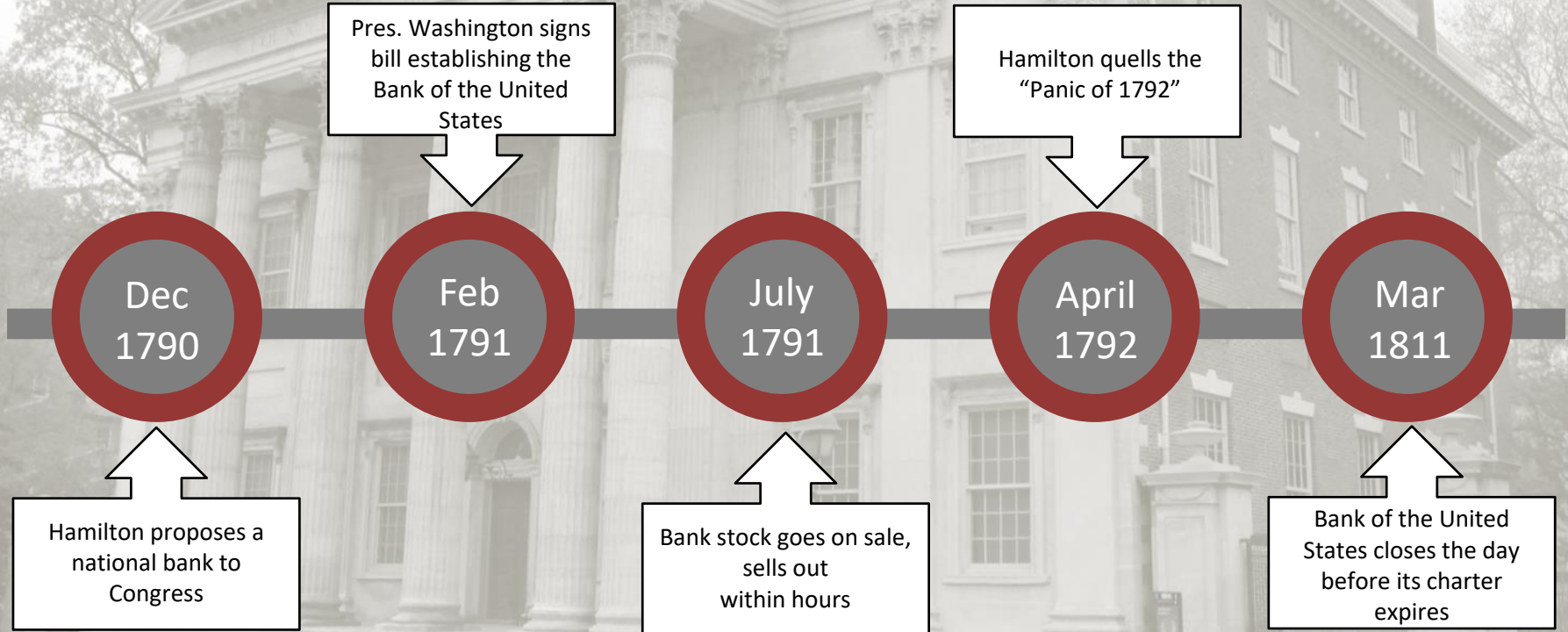








# Bank of the United States





# Scope of Responsibilities

## **Bank of the United States**

- Collected taxes
- Paid government bills
- Commercial bank

## **Federal Reserve System**

- Monetary policy
- Bank supervision and regulation
- Financial Services/payments
- Financial stability

## **Both**

- Fiscal agent
- Circulate currency

# Governance

## Bank of the United States

- Main office: Philadelphia
- 8 Branches
- Individual & government stockholders

## Federal Reserve System

- Board of Governors: Washington DC
- 12 Reserve Banks
- Member banks own stock, but do not carry with it control & financial interests

## Both

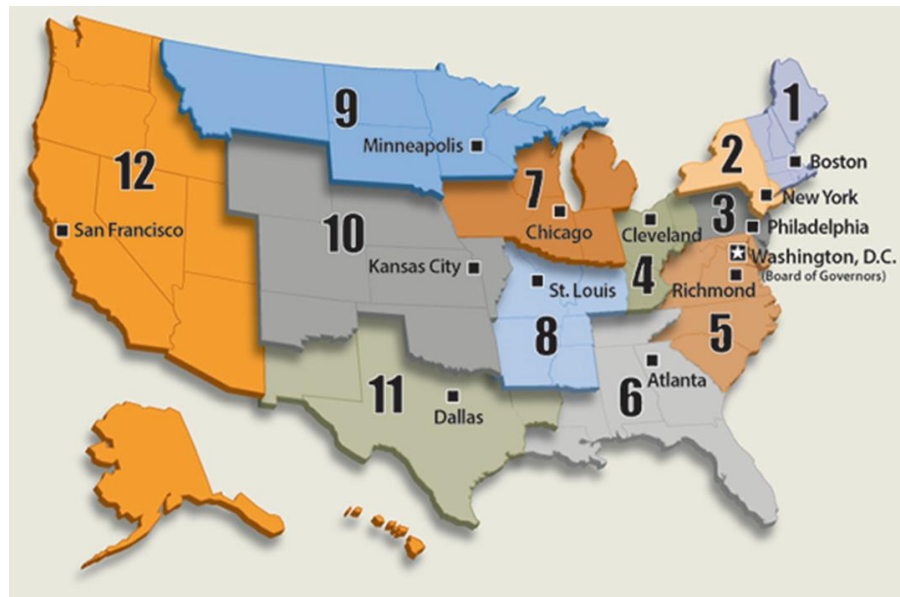
- Initially had limited charters with public purpose
- Independent directors / public service

## MAP OF FIRST BANK AND ITS BRANCHES



- ★ Philadelphia (1791)
- 1 Boston (1792)
- 2 New York (1792)
- 3 Charleston, SC (1792)
- 4 Baltimore (1792)
- 5 Norfolk, VA (1800)
- 6 Savannah (1802)
- 7 Washington, D.C. (1802)
- 8 New Orleans (1805)

# Federal Reserve System



- Board Governors, Washington DC (central oversight body)
- 12 regional Reserve Banks (independent, non-profit corporations)
- 24 branch offices



# Federal Reserve Board of Governors



- Governing body of Federal Reserve in Washington, D.C.
- Led by seven governors – Chair Jerome Powell
  - Nominated by President, confirmed by Senate
  - Serve 14-year staggered term
  - Chair and Vice Chair serve 4-year terms in these roles and may be reappointed
- Oversees Reserve Banks' operations, lending, and financial services
- Shares responsibility for supervising & regulating financial institutions

# Bank of the United States

## Leadership and Board of Directors



- Thomas Willing, President, served 1791-1807
- First Bank of the United States
- Bank of the United States Directors
- 25 members
  - Mandatory rotation of directors
  - Functions of the board closely match purposes, supervised bank note printing /creation, reviewed loans, etc.

# Federal Reserve Bank of St. Louis

**Management Team pictured  
President Jim Bullard (upper  
left)**

- Appointed by 6 Reserve Bank Directors; approved by Board of Governors
- Serves 5-year term; can serve multiple terms
- Serves on the FOMC



# Federal Reserve Bank of St. Louis



FEDERAL  
RESERVE  
BANK *of*  
ST. LOUIS



## Main Office Board of Directors (9 Members)

- Supervises administration of Reserve Bank operations and internal auditing procedures & controls
- Report on district economic conditions to Bank president
- Six elected by member banks that own stock in the reserve bank
- Three appointed by the Board of Governors, including Chair / Deputy Chair
- **Branch Directors in Louisville, Little Rock, and Memphis (7 members each)**



# Other Similarities and Differences with Bank of United States

- Transparency
- Role in Stability

# Transparency

## First Bank of United States – Weekly Statements

“A report of the condition of the bank should be furnished to the Secretary whenever required by him, but not oftener than once a week.”

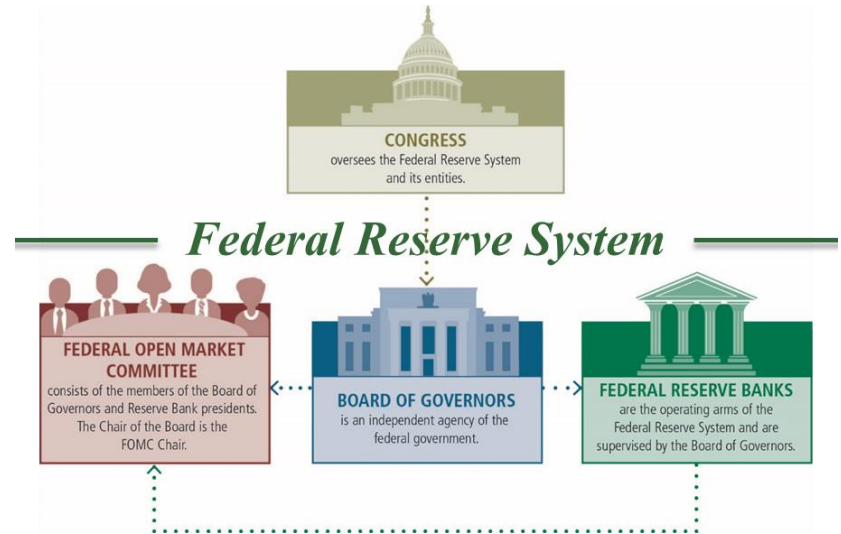
### *First Bank of United States—Statement of Condition.*

RESOURCES.	January, 1809.	January, 1811.
Loans and discounts.....	\$15,000,000	\$14,578,294
United States six per cent. stock.....	2,230,000	2,750,000
Other United States indebtedness.....	.....	57,046
Due from other banks.....	800,000	894,145
Real estate.....	480,000	500,653
Notes of other banks on hand.....	.....	393,341
Specie.....	5,000,000	5,009,537
Totals.....	\$23,510,000	\$24,183,046
LIABILITIES.		
Capital stock .....	\$10,000,000	\$10,000,000
Undivided surplus.....	510,000	509,678
Circulating notes outstanding.....	4,500,000	5,037,125
Individual deposits.....	8,500,000	5,900,423
United States deposits.....	.....	1,929,999
Due to other banks.....	.....	634,348
Unpaid drafts outstanding .....	.....	171,473
Totals .....	\$23,510,000	\$24,183,046

# Transparency

## Federal Reserve System

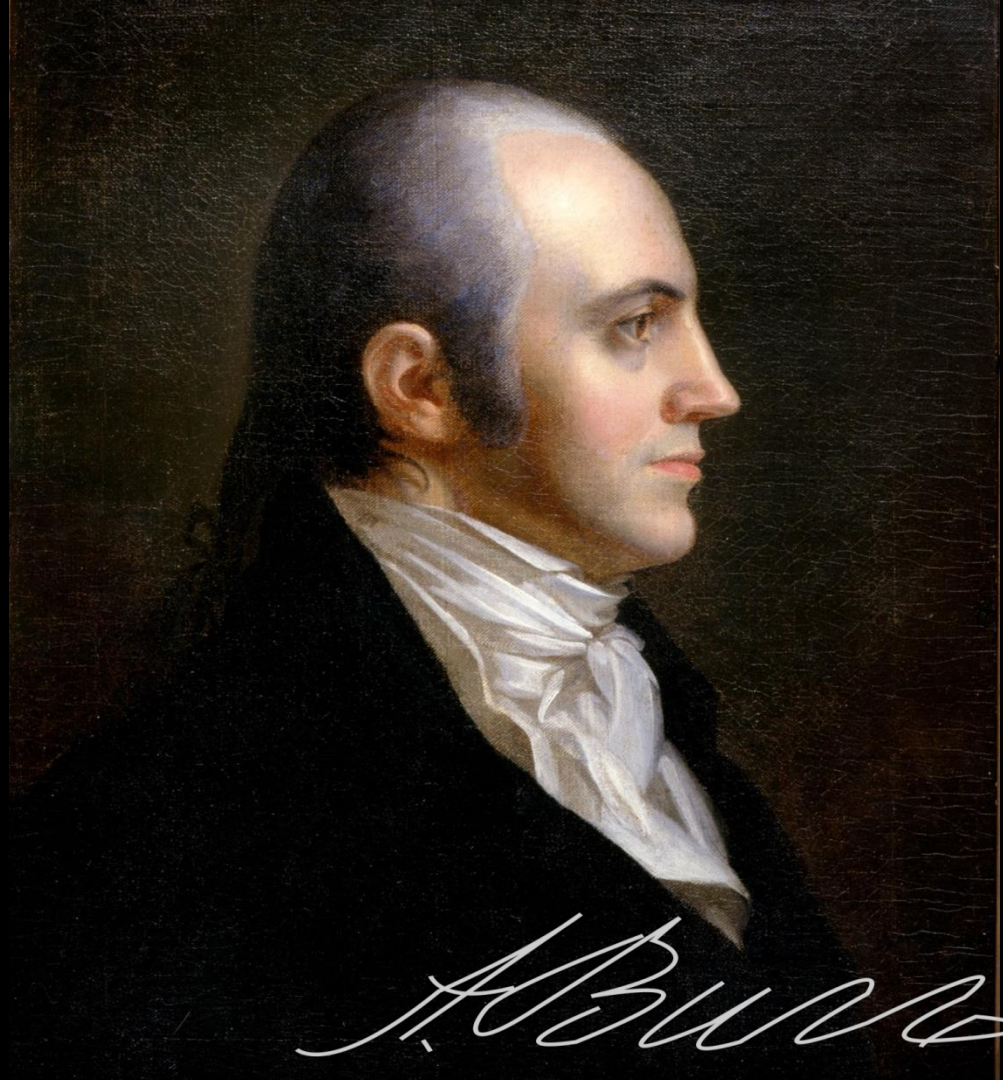
- Subject to oversight by Congress, Board Chair testifies semi-annually
- GAO reviews, OIG audits, and annual outside audit
- FOMC meeting minutes published; Chair holds quarterly press conferences
- Balance sheet published weekly
- Annual report with financial statements audit results



# Financial Stability

- Bank of United States Early Test
- Federal Reserve Role in Stability
  - 2008 Financial Crisis
  - 2020 Pandemic

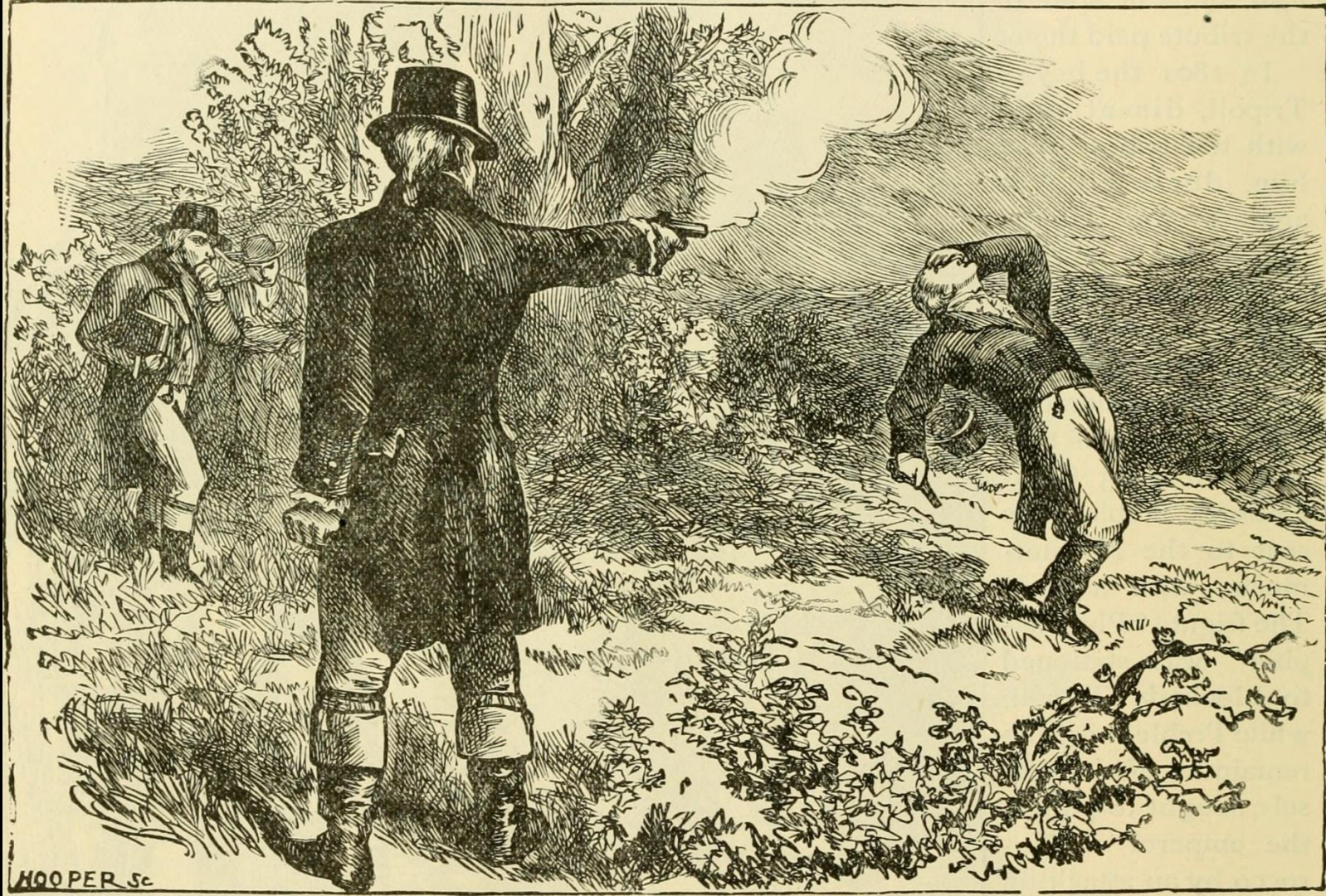




# How Hamilton (and others) Told His Story

- Newspapers of the Day
  - Letters published between Burr and Hamilton and Hamilton's writings
- Eliza Hamilton and Hamilton's "second"
- Ron Chernow and other historians
- Lin Manuel Miranda





# Hamilton's Legacy of Public Service Today in the Fed

- The Federal Reserve serves the country through monetary policy, payments, supervision, supervision/regulation and outreach.
- Some functions are similar to those of the First Bank of the United States, conceived by Hamilton.
- Key features of central bank governance were improved upon by the Federal Reserve Act and enhancements over time.





DB 88881380 A

B2



THIS NOTE IS LEGAL TENDER  
FOR ALL DEBTS, PUBLIC AND PRIVATE

*Rosario*  
Treasurer of the United States

10

TEN

HAMILTON

RESERVE NOTE

THE UNITED STATES  
OF AMERICA



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*John W. Snow*  
Secretary of the Treasury

SERIES  
2003

DOLLARS



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series, millions of users

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News and views  
about the economy  
and the Fed

## **Economic Education Resources**

For every stage  
of life

## **Community Development**

Promoting financial  
stability of families,  
neighborhoods

## **James Bullard**

[stlouisfed.org/  
from-the-president](https://stlouisfed.org/from-the-president)

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## **SOCIAL MEDIA**



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## **ECONOMY MUSEUM**



**ECONOMY  
MUSEUM**  
AT THE ST. LOUIS FED