

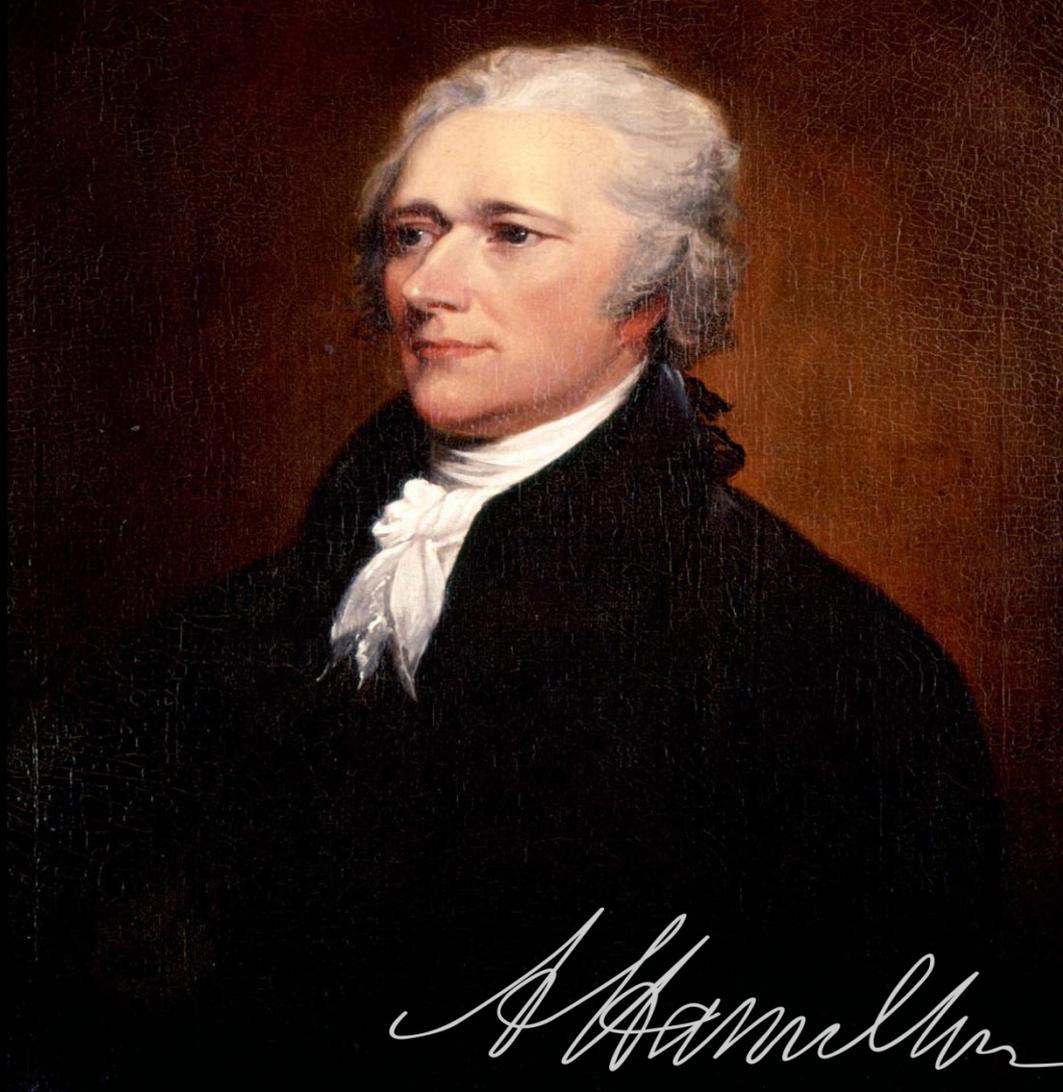
# Hamilton's Central Bank – Then and Now

August 4, 2020

Federal Reserve Bank of St. Louis Webinar

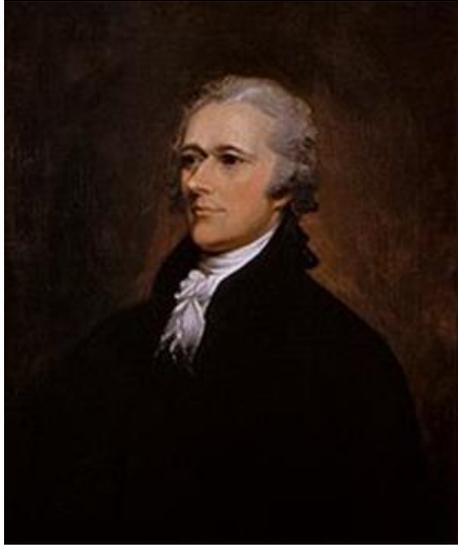
**Niel Willardson**

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



Alexander 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> Gallions 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



### 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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### People Also Viewed

- George Washington** · 1<sup>st</sup> "Father of Our Country"
- John Jay** · 2<sup>nd</sup> Chief Justice at SCOTUS
- James Madison** · 4<sup>th</sup> Secretary of State at USA
- Gilbert du Motier** · 1<sup>st</sup> Marquis de Lafayette
- Aaron Burr** · 3<sup>rd</sup> Vice President at USA
- Thomas Jefferson** · 1<sup>st</sup> President at USA
- Hercules Mulligan** · 4<sup>th</sup> Accountant; Tailor; Founder at Manumission Society
- John Laurens** · 2<sup>nd</sup> Aide-de-Camp; Diplomat
- Philip Schuyler** · 2<sup>nd</sup> General at US Army; Senator at USA
- Alex McDougall** · 1<sup>st</sup> General at US Army; State Senator at New York; Banker
- Eliza Hamilton** · 1<sup>st</sup> Socialite
- Angelica Church** · 2<sup>nd</sup> American / Euro Socialite
- Peggy Van Rensselaer** · 2<sup>nd</sup> Socialite

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**Leopard Tickets**  
25 cents, Boston Zoo



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New York, New York

Message

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1795-present



United States  
Secretary of the Treasury  
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As the first Secretary, I developed plans for the new nation's financial system, networking, compromise, and economic stability and economic



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 during the Revolutionary War'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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Howard Chandler Christy  
1890

# 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]henever 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  
and our Posterity, to ordain and establish

Section 1. All legislative Powers  
of Representatives

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

No Person shall be a Represent  
and who shall not, when elected, be an

Representatives and direct Taxes  
Members, which shall be determined by

not exceed, three fifths of all other Pers  
and within every subsequent Term

thirty Thousand, but each State shall  
entitled to choose three, Massachusetts

eight, Delaware one, Maryland  
When vacancies happen in

Section 3. The Senate of the  
Senator shall have one Vote.

Immediately after the  
of the Senators of the first Class

Class at the Expiration of the se  
Peoples of the Legislature of any

such Vacancies.  
No Person shall be a Senator

not, when elected, be an Inhabitant of that State  
The Vice President of the United States shall be

To 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  
Welfare, and secure the Blessings of  
America.

of the United States, which shall consist of

every second year by the People of the several  
of the State Legislature.

Twenty five years, and been seven years a Citizen

which may be included within this Union, accord  
cluding those bound to Service for a Term of years

within three years after the first Meeting of the Cong  
now direct. The Number of Representatives shall

such enumeration shall be made, the State of New  
entations one, Connecticut five, New York six, New Jer

Carolina five, and Georgia three.

ive Authority thereof shall give Writs of Election to ju  
; and shall have the sole Power of Impeachment.

from each State, chosen by the Legislature thereof, fo

Election, they shall be divided as equally, as may be un  
d year; of the second Class at the Expiration of the fourth

second Year; and if Vacancies happen by Resignation, o  
Appointments until the next Meeting of the Legislature

of thirty years, and been nine years a Citizen of the Unde  
n.  
ate, but shall have no Vote, unless they be equally divided.



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



## United States Department of the Treasury

Secretary of the Treasury  
1789-1795 • 6 years

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# Hamilton Launches Financial Revolution



Revolutionary War

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

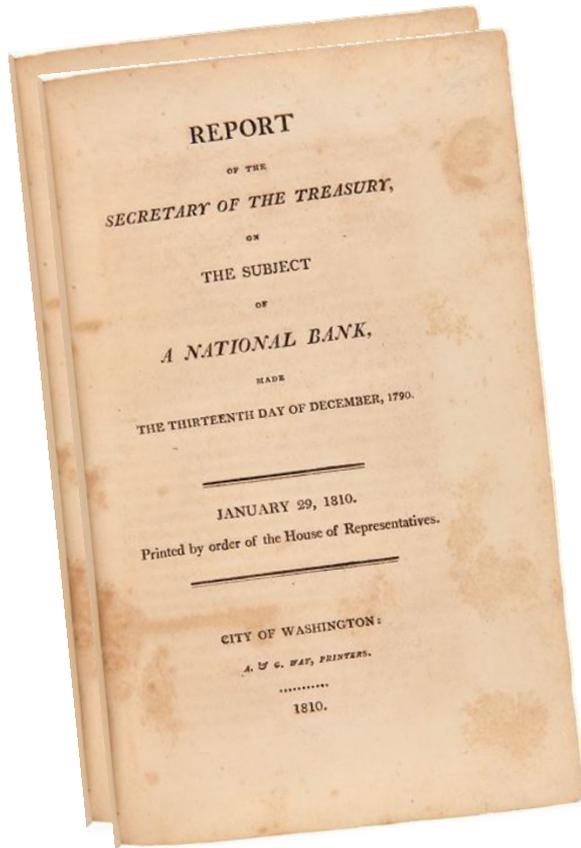
# And a Specific Financial Plan



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)

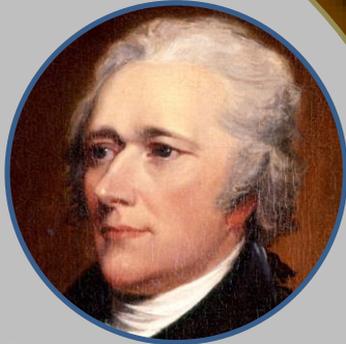


THIS PLAQUE MARKS  
THE SITE OF THE FORMER RESIDENCE  
OF  
**THOMAS JEFFERSON**  
THIRD PRESIDENT OF THE UNITED STATES OF AMERICA

*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.*

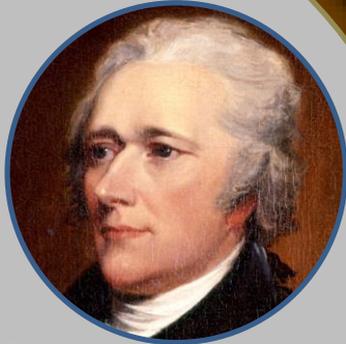
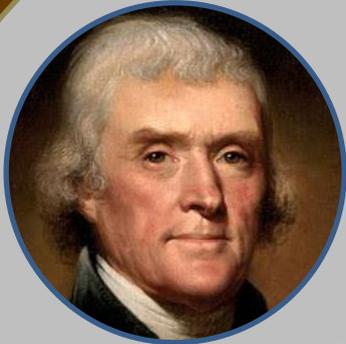
57 MAIDEN LANE

This tablet erected by The Home Insurance Company New York  
1929

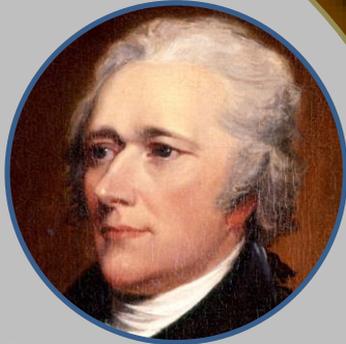
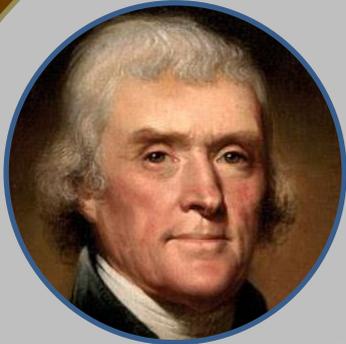


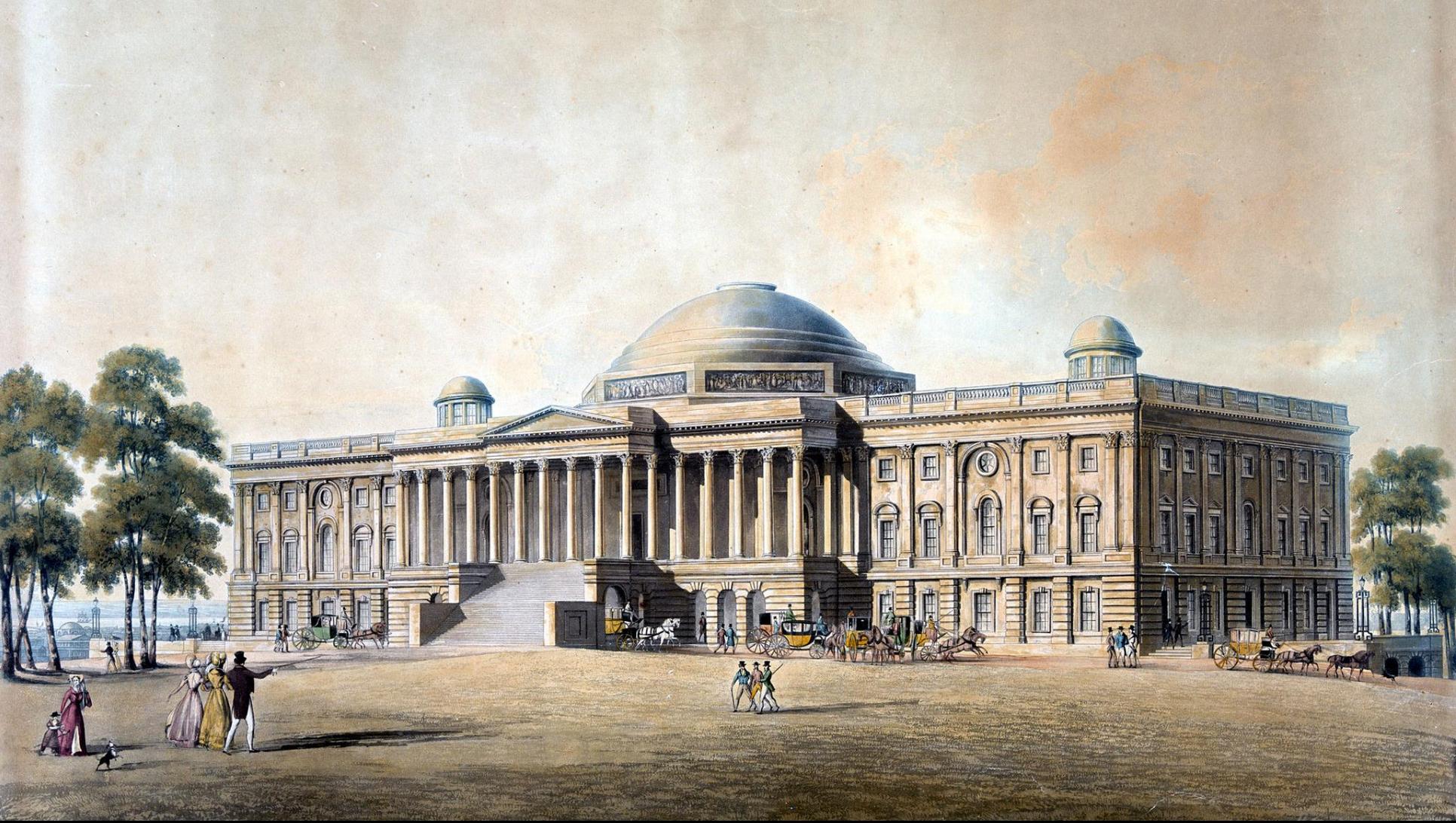
The Room  
Where it  
Happened

# The Room Where it Happened

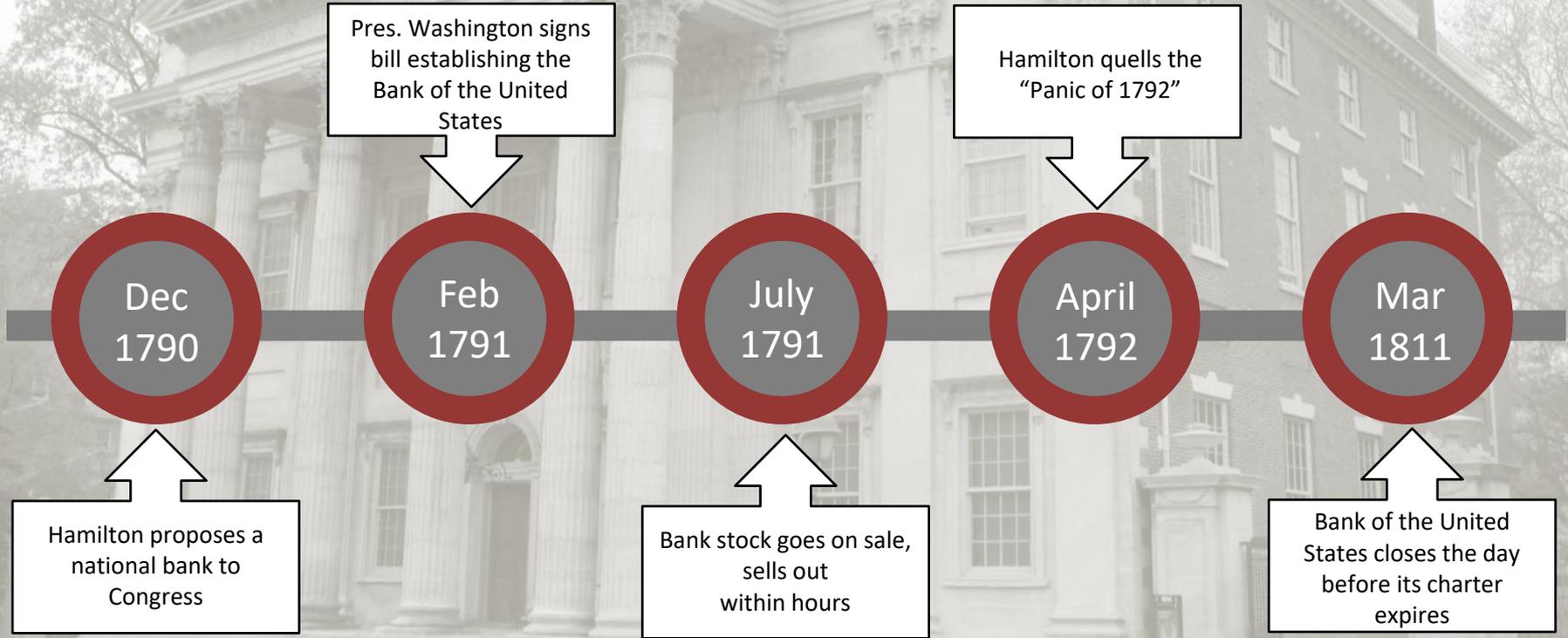


# The Room Where it Happened





# Bank of the United States



Dec  
1790

Hamilton proposes a national bank to Congress

Feb  
1791

Pres. Washington signs bill establishing the Bank of the United States

July  
1791

Bank stock goes on sale, sells out within hours

April  
1792

Hamilton quells the "Panic of 1792"

Mar  
1811

Bank of the United States closes the day before its charter expires

# 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.”

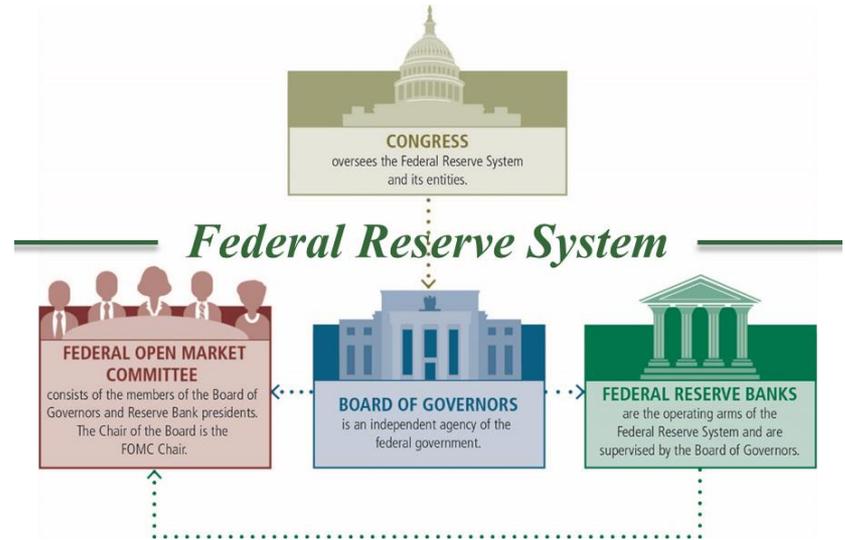
### *First Bank of United States—Statement of Condition.*

	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	5,009,587
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

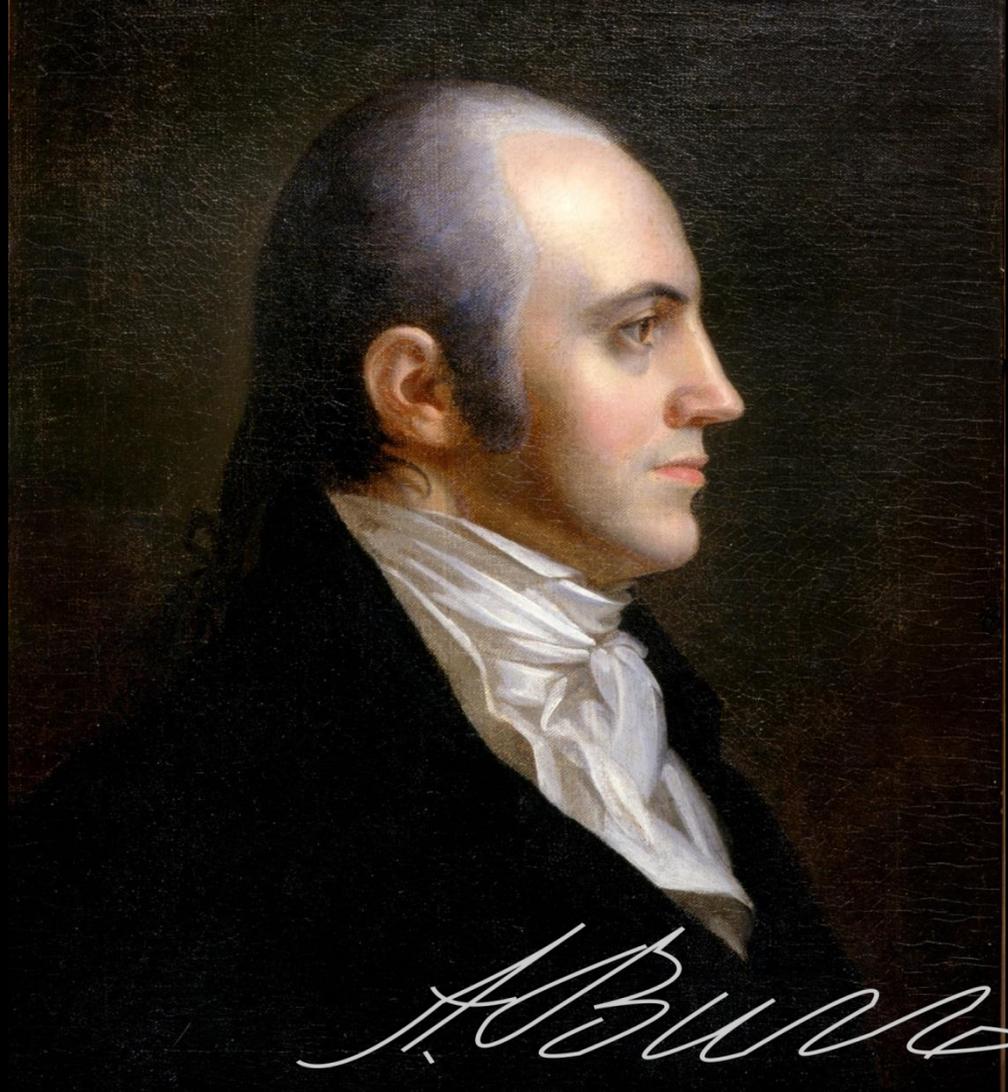
## Federal Reserve System

- 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



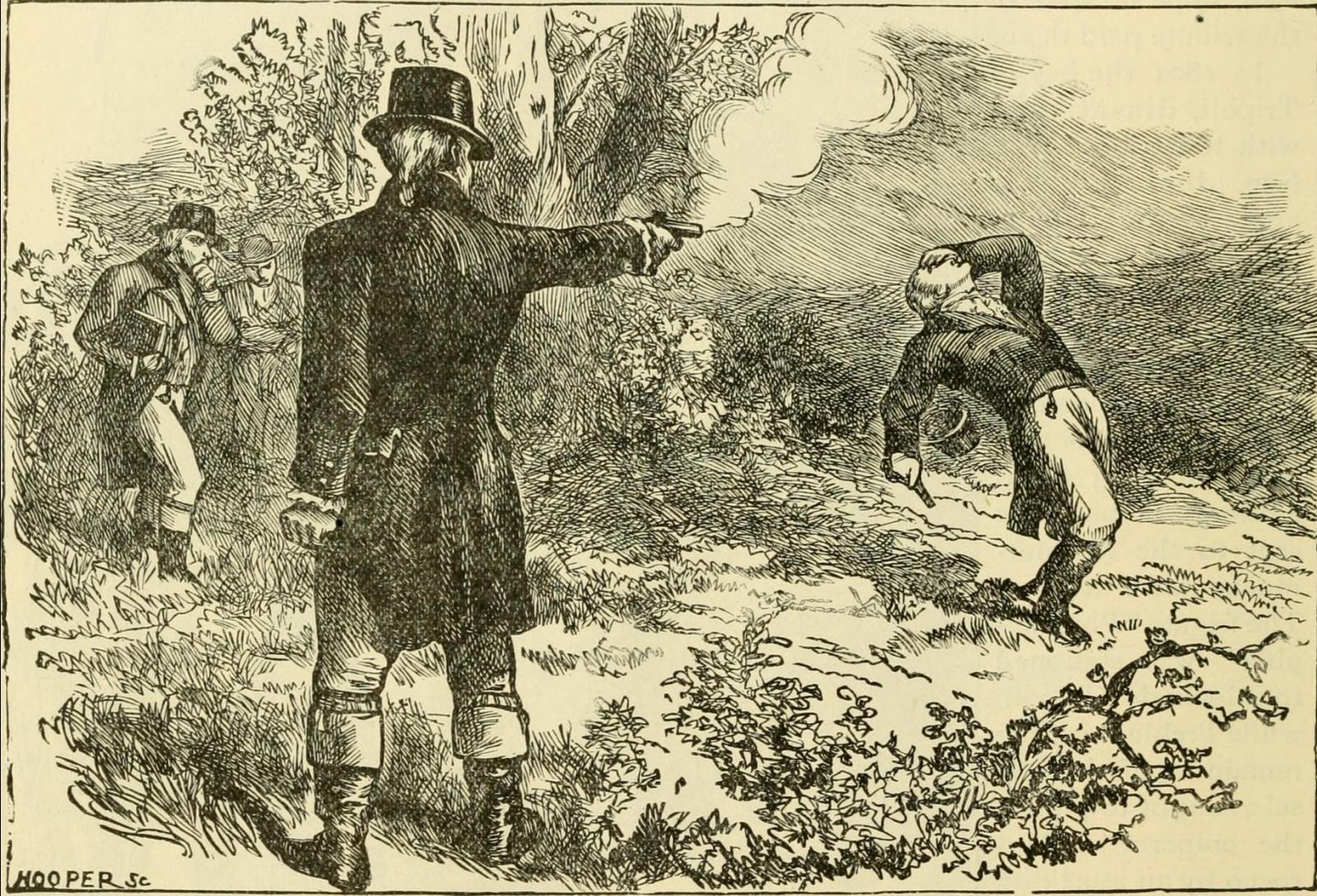
# Financial Stability

- 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.



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B2



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FOR ALL DEBTS, PUBLIC AND PRIVATE

*Fosar*  
Treasurer of the United States.

RESERVE NOTE  
THE UNITED STATES  
OF AMERICA

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*John W. Snow*  
Secretary of the Treasury.

SERIES 2003  
DOLLARS

10

10

HAMILTON

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For every stage of life

## Community Development

Promoting financial stability of families, neighborhoods

## James Bullard

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