

TREASURY HISTORICAL  
ASSOCIATION  
April 2019

# NEWSLETTER

## Inside this Newsletter . . .

- **THA Lecture Series**
- **Gallatin and the National Debt**
- **Inaugural 1500 Penn Prize**
- **Updates on THA**

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## 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 19<sup>th</sup> 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.

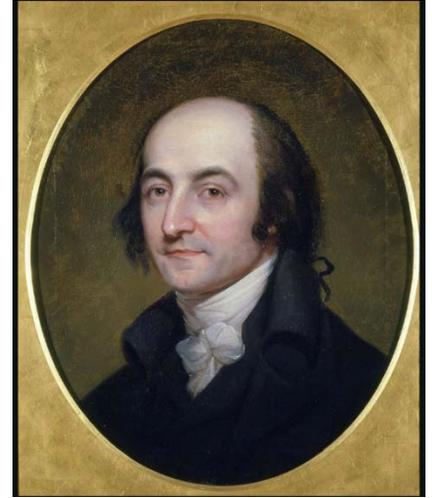
**July 17** - To mark the 75<sup>th</sup> anniversary of Bretton Woods, Kurt Schuler will speak on a Treasury-sponsored conference in Atlantic City, NJ that laid the groundwork for the 1944 Bretton Woods conference. Schuler has been an economist in the Office of International Affairs for 15 years. The 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 understand 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 obsession 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 debates 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 understanding 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 150<sup>th</sup> 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 19<sup>th</sup> 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.

## 150<sup>th</sup> 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 Salmon 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](http://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 19<sup>th</sup> 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 noon-time 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 this.

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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