



TREASURY HISTORICAL
ASSOCIATION
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NEWSLETTER

Inside this Newsletter . . .

- **THA Lecture Series**
- **Treasury During the Great Depression**
- **Inaugural “1500 Penn” Prize**
- **Updates on THA**

THA Lecture Series

On December 18, Gregory May, author of an important new biography of Albert Gallatin, will present a THA lecture in the Cash Room at 12:00 noon. His lecture, "Albert Gallatin and a Nation Free from Debt," will consider why and to what extent Jeffersonian Republicans dismantled Alexander Hamilton's fiscal system. His book, *Jefferson's Treasure*, is available from major booksellers, and he will be signing copies after the lecture.

Since our last newsletter, Lee Lofthus presented the October THA Lecture on "Treasury in the Great Depression." Lofthus is an Assistant Attorney General in the Department of Justice who has conducted extensive research on the history U.S. currency. The article in this issue is based on his lecture.

Confirmed future THA lectures include: February 6, David Singerman, the 2018 "1500 Penn" Prize winner, will speak on his winning essay on 19th century sugar tariffs. In July, Kurt Schuler will discuss the Atlantic City Conference that preceded the Bretton Woods Conference.

Former Treasury employees and others interested are welcome to attend these lectures. However, those who do not possess a Treasury Building pass will need to arrange clearance into the Treasury Building about one week in advance. Notices are sent several weeks in advance to THA members.

Treasury During the Great Depression By Lee Lofthus

When Franklin Roosevelt took the oath of office on March 4, 1933, the nation looked to him to stem the economic crisis that had severely worsened since the stock market crash of October 1929. In turn, Roosevelt looked to the Treasury Department to help craft what would become the most dynamic currency reforms since the Civil War.

With banks failing and depositors making runs on the banks, Roosevelt announced a nationwide bank holiday, closing banks for four days to stem the panic on March 6th. On March 9th, with Secretary of the Treasury William H. Woodin at his side, Roosevelt signed the Emergency Banking Relief Act into law. The bank holiday was

extended, providing the government the time to examine the banks for soundness before they could reopen. To counter runs on the banks once they reopened, the Treasury Department acted immediately to prepare emergency currency in the form of Federal Reserve bank notes.

Unlike today's currency, which is comprised entirely of Federal Reserve notes, in 1932 there were five different types of currency in use: United States notes, known as "legal tender," gold certificates, silver certificates, Federal Reserve notes, and national bank notes. Of the five, only the United States notes and gold certificates carried legal tender status. The other currency types were redeemable in gold or silver, or convertible into currency that was legal tender, but did not have legal tender status themselves.

The emergency *Federal Reserve Bank notes* (distinct from the then gold-backed *Federal Reserve Notes*) introduced a sixth type of currency into circulation. They were backed by bonds and commercial paper deposited with the Treasurer by the twelve Federal Reserve banks. The Bureau of Engraving and Printing (BEP), under its director Alvin Hall, leapt into action even before the passage of the Banking Relief Act. Working around the clock, the BEP utilized the existing national currency designs and sheet stock and designed new overprints with brown serial numbers and Treasury seals.

In an amazing feat of production, the BEP was making the first deliveries of the new currency on March 10th, ensuring that newly reopened banks would have sufficient currency supplies on hand to show depositors they should have no fear of their bank running out of money. \$911,700,000 in emergency notes were printed, but only about a third were issued during the Depression. (The remainder were released during World War II to ease wartime printing demands at the BEP).

Federal Reserve Bank Note – Emergency Currency Issued 1933



1933 Series Silver Certificate



The emergency currency was only the start. On March 12, 1933, Congress passed the Agricultural Adjustment Act, which despite its name, had important currency provisions. The Act gave the President the authority to set the price of gold and silver. A section of the Act known as the Thomas Amendment incentivized foreign nations with unpaid World War I debts to repay those debts with silver valued at 50 cents per ounce, provided such repayments were made in six months. Treasury was directed to issue new silver certificates against the deposits of the foreign silver, thus helping increase the Depression money supply. Over \$11.3 million dollars flowed in from six foreign governments.

The BEP again launched into action by designing the new Series of 1933 \$10 silver certificates. They were the only U.S. silver certificates "Payable in Silver Coin" on demand, instead of silver dollars or, later, just plain "silver." \$1,840,000 in \$10 notes were placed in circulation against the \$11.3 million foreign silver deposits before the Series of 1933 abruptly ended, as more extensive silver changes were coming.

The March 12th Act also extended legal tender status to all types of U.S. currency, requiring Treasury and the BEP to change the clauses on the various classes of currency in circulation. The new legal tender clauses were the precursors to the familiar one we have today, i.e., "This note is legal tender for all debts public and private."

The most monumental currency change came with Roosevelt's gold confiscation order of April 5, 1933. To prevent hoarding, Roosevelt ordered that gold coin and gold certificates must be turned in to a Federal Reserve bank or other authorized entity by May 1, in exchange for other legal tender currency. This gold action was followed by other Executive Orders that restricted the export of gold and directed that newly mined gold be deposited with Treasury.

Henry Morgenthau Jr. was sworn in as the new Treasury Secretary on January 1, 1934, replacing the terminally ill Woodin. On January 30, the gold changes culminated with passage of the sweeping Gold Reserve Act, an act that took the U.S. off the gold standard, ended currency redemption in gold, and permanently ended circulation of gold certificates (although new series of 1934 gold certificates with orange backs were printed for use inside the Federal Reserve banks and the Treasury).

One day after signing the Gold Reserve Act, Roosevelt increased the price of gold from \$20.67 per ounce to \$35 per ounce, immediately raising the value of the nation's gold reserves by \$3 billion. This allowed for a greatly expanded circulation of Federal Reserve notes. By now, Federal Reserve

notes were no longer redeemable in gold, but they were backed by Treasury-held gold equal to 40 percent of the face value in circulation.

Roosevelt also directed Treasury to put additional silver certificates into circulation, and the BEP responded with the Series of 1934 silver certificates in August. Treasury officials were acutely aware that the withdrawal of the gold certificates from circulation required their replacement with other currency, or else the Administration's currency actions would have actually worsened the money supply situation. The void created by the withdrawal of gold certificates and gold coins was filled by issuing more silver certificates and Federal Reserve notes.

The circulation of National bank notes ended in August 1935 when the bonds that backed their circulation were called, an action that provided significant efficiency benefits and savings at the BEP and the Office of the Comptroller of the Currency. The emergency Federal Reserve Bank notes were issued in 1933-34, but their active issue was ended after the worst of the bank crisis diminished.

In three short years, Treasury had pulled gold coins from circulation and consolidated the nation's paper money into just three types of notes in general use, all legal tender: U.S. notes with red seals, silver certificates with blue seals, and Federal Reserve notes with green seals.

The 1933-34 currency changes were not without controversy, but Roosevelt was determined to take action to alter the course of the depression. In addition to Woodin and Morgenthau, Treasury officials such as Commissioner of the Public Debt William S. Broughton, General Counsel Herman Oliphant, and BEP Director Alvin Hall were key players in Treasury's work with FDR to respond to the Great Depression.

This article is based on the October 10, 2018, THA Noontime Lecture by Lee Lofthus entitled Treasury during the Great Depression



Lee Lofthus Explaining Federal Reserve Notes "Redeemable in Gold" needed to be changed. Photo Credit: Chris Taylor, Treasury Photographer.

First "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." He will receive his award and present his paper at the THA lecture on February 6.

Singerman's article tells the fascinating story of sugar tariffs in the late 19th century and considers how it relates to long-established views about corruption and reform in the Gilded Age. As the sugar consumption of Americans doubled between 1860 and 1900, tariffs on sugar became the largest source of federal revenue. The methods of grading sugar were inherently subjective, leading to charges of favoritism and corruption by Treasury customs officials and agents. Singerman describes the efforts of the Treasury and Treasury agents to assuage public concerns over corruption. Ironically, Treasury's efforts to standardize and bring analytical rigor to their tariff valuations actually increased the power of the Sugar Trust. Such outcomes reflect the deeper complexities of this often overlooked, but important period in American History.

Each of the 10 authors in this year's contest will be asked to submit their essays to the Treasury Library, thus creating a unique collection of papers on the history of Treasury that would otherwise not have been brought together in one place.

THA is delighted at this year's contest turnout and hopeful for future contests as a means of building a new platform for promoting and sharing Treasury history.

A THA Memory of President George H. W. Bush

The Treasury Historical Association has its own special memory of the 41st President of the United States. THA created, planned, and managed the year-long celebration of the Bicentennial of the Treasury Department in 1989. Treasury's then 13 bureaus were proud invitees. As part of that celebration, THA invited back the heads of all the departments, bureaus and agencies that had begun in Treasury, such as the Public Health Service, NIH, the Coast Guard, Life Saving Service, GAO, and the FBI.

THA also invited the President of the United States. Secretary of the Treasury Nicholas Brady graciously extended the invitation to President George H. W. Bush. President Bush came and gave a major address on his new drug intervention policies.

Very special to THA was the look of surprise and then satisfaction on the President's face when he saw all of the officials that he had appointed both in Treasury and throughout

the government sitting on the stage constructed on the West Wing steps, and all the Treasury Department civil servants that worked for the President every day filling the street of East Executive Avenue, applauding his arrival. It was a moving moment for THA and for President Bush.

Andrew Johnson Portrait Now Installed in the Johnson Suite

December saw the long-awaited arrival of the portrait of President Andrew Johnson. It was restored and framed and now hangs in the Andrew Johnson suite (above the original sofa from 1865). THA donated funds for the portrait's restoration and the frame.



Andrew Johnson portrait in the Johnson Suite and a closeup view.

Curator Richard Cote Retires

After 28 years in the Treasury Department, Richard Cote is retiring. On December 6, he received the Gallatin Award and the Exceptional Service Award for his many notable achievements as Curator.

After the roof fire in 1996, Richard was responsible for the safe removal, cleaning and conservation of the Secretarial Portraits as well as other objects from the collection.

In 2008, the Treasury Department received the Advisory Council on Historic Preservation's "Chairman's Award for Federal Achievement in Historic Preservation" for the outstanding work that the Department accomplished during the multi-year TBARR restoration project.

Projects Richard worked on included the restoration and gilding of the triple-skylight dome in the West Wing and the restoration of the West staircase railing and stonework now in the final stages of completion. He was responsible for locating in an auction catalog an early portrait of Abraham Lincoln that THA bid on, won and gave to Treasury for the Secretary's Conference Room, as well as acquiring a bust of Alexander Hamilton for the Diplomatic Reception Room, and the portrait of Andrew Johnson for the Johnson Suite.

To keep track of all the items in the vast Treasury Collection, Richard initiated a new image and collection database system. Recently, he wrote a new comprehensive catalogue of the Treasury Collection, updated for the first time since 1979. Part I was published this fall.

After 9/11, the Public Tour Program was halted for 6 years. Richard led the effort to work with Secret Service and Legislative Affairs to restore the Saturday public tours, as well as to conduct training sessions over the years for many new volunteer docents

At his retirement reception, he promised to keep in touch with Treasury and THA. Tom O'Malley expressed the hope that Richard would join the THA Board in the near future.

New Book about Capitol Hill by *Fortress of Finance* Author

Pamela Scott, the author of THA's *Fortress of Finance: the United States Treasury Building*, co-authored a new book titled *Creating Capitol Hill: Place, Proprietors and People* for the U.S. Capitol Historical Society. Included are "essays" by three other notable historians, along with a foreword by noted journalist Cokie Roberts, and a great number of images and maps.

Released in August 2018, the book includes a captivating history of the neighborhood around the Capitol Building, starting with the owners of the land chosen for the Congress house, as the District of Columbia was being planned to be the National capital.

The book is produced in the same specifications, format and appearance as THA's two history books, making it an attractive complement to THA's books. It is available online at www.uschs.org, and at the Society's gift shop in the Capitol or in their office at 200 Maryland Ave., NE, Washington, DC 20002.

THA's new Hamilton Ornament

THA is pleased to offer its new custom-designed commemorative ornament on Alexander Hamilton, featuring the iconic statue of Treasury's first Secretary at the South side of the Treasury Building



The ornament measures 3 inches by 2-1/2 inches and is gold-finished with bronze, white, gray and black detail. A presentation box, hanging ribbon and insert card are included in the price of \$25 each plus shipping and handling. To order, please complete the form below and mail with your check to THA at P.O. Box 28118, Washington, DC 20038-8118 or use our online store www.treasuryhistoricalassn.org.

Ordering online will ensure expedited processing by THA volunteers. The quantity is limited, so please order today.

Name: _____

Address: _____

City/State/ZIP: _____

Telephone: _____

Email: _____

Number of ornaments ordered: ____ @ \$25 = \$ _____ + S&H: _____

Total Enclosed by check: \$ _____

Standard THA Shipping & Handling Fees to one continental USA Address:

S&H: 1 ornament, add \$4.55, 2 ornaments, add \$5.60, 3 or more, add \$10.00 S&H.

THA's other two recent Treasury Building ornaments and some ornaments from the legacy bureau series are also available on THA's website, along with other THA items appropriate for gifts or personal use. The *Fortress of Finance*, a wonderful book on the history of the Treasury Building, is also available on THA's website, eBay and in the TDRA Gift Shop outside the Cash Room in the Main Treasury Building.

Please Remember THA in Your Donations at Year-End and Later

As you consider your end-of-year giving decisions – and, if you are a Federal employee in the Washington, DC area, your at-work pledge to the Combined Federal Campaign (CFC) – please consider THA as one of the potential recipients of your generosity. A secure on-line giving feature has been added to THA's webpage. Selecting THA as one of the recipients of your CFC payroll deduction donations will also be of great assistance. THA's CFC number is 34342.

Additionally, THA members who work in private industry may have employers with contribution matching program where they set aside certain levels of funding each year to complement the generosity of their employees who request donations to designated nonprofit organizations.

Also, when shopping for holiday gifts for family and friends – or other shopping throughout the year – on Amazon, please register on the www.smile.amazon.com website, where you can designate the Treasury Historical Association to receive a donation from the company of 0.05% of your payment, but drawn from Amazon's earnings.

Finally, if you have reached the age requiring you to take a minimum distribution from a conventional Individual Retirement Account, please consider asking your plan administrator to send a donation to THA. This would reduce taxable amounts that you receive and, thus, potentially help overall considerations in your income tax return. You will need to use THA's full name *Treasury Historical Association and EIN: 23-7389186*. Detailed information should be obtained from your tax advisor and/or the plan administrator for your IRA, as well as from IRS Publication 590-B, page 13.

End of Year Notes from THA Board and Committees

- Current THA membership as of mid-December is 321, including 17 new members and 110 life members.
- The West staircase restoration project is expected to be completed by December 31. THA contributed substantial sums toward this project over a number of years.
- The Board approved a second year of the "1500 Penn" Prize for best new academic paper on Treasury history. An announcement of this competition, with details, will be made early next year.

THA Membership Renewal Request in Your Mailbox

Your THA membership renewal requests were mailed in early December. Your early renewal each year is very helpful to THA's budgeting for activities and donations to the Treasury Department later in the new year. If you have not already done so, please consider renewing your THA membership now both to help THA with your early donation and to take advantage of the tax deduction in your 2018 tax return.

One consideration in this regard is that the new tax law greatly increased the Federal standard deduction, which reduces the numbers of taxpayers able to benefit from an itemized charitable deduction. However, state standard deduction levels in many instances remain quite low. As a result, some members may benefit from "bunching" their donations in alternate years in order to have the advantage of itemizing deductions for both Federal and state tax returns. Thus, members might consider renewing for multiple years or even a life membership.

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.

THA President's Message

As the year comes to a close, I would like to thank all our members for their continued support. This year brought a number of informative presentations at our noontime lecture series, such as Michael Newton's talk on the young and talented Alexander Hamilton, Dr. Rebecca Ebderling's talk on the Treasury Department's efforts to save the Jewish populations of Europe from the Holocaust, Lee Lofthus's presentation about the Treasury activities during the Great Depression, to name just a few. We hope our members will suggest other Treasury-related historical topics to be considered for our lecture series.

The year brought the long-awaited original portrait of President Andrew Johnson to the Department's collection. Both the Treasury Department and THA petitioned the executors of the closed-down Corcoran Gallery of Art for this portrait. THA assisted Treasury by funding the restoration and framing of this priceless portrait of the president who occupied a Treasury office for more than six weeks following Lincoln's assassination.

As to the future, THA looks forward to 2019 as the year we will celebrate the Sesqui-centennial of the Treasury Building which was completed barely in time for its use as the venue for the Inaugural Ball and Reception for President Ulysses Grant, as well as the Centennial of the Freedman's Bank Building (formerly Treasury Annex Building). And, early in the year, we hope to launch our Phase II Development Campaign to assist further the Treasury Department in a number of historic restoration projects as well as education projects.

Thank you again for your support during 2018 and I hope we can count upon you for your continued support next year.

Deval Mehta, President

From the Editor

Our special thanks to Lee Lofthus for contributing his essay based on his October THA lecture. Thanks also to Abby Gilbert, Guy Munsch, Tom O'Malley and Andy Young for contributing articles and other information for this issue.

If you haven't yet seen the 7-minute preview of the planned one-hour educational documentary of the Treasury Building and the important historic events that had occurred within its walls, you would likely enjoy it as it has received rave reviews as deserving of a prize as a stand-alone short. Here's the link:

www.vimeo.com/264102677

Feel free to share this link others who might have an interest in the Treasury Department or Treasury Building history.

In future issues, we hope to continue to include essays based on THA lectures for the benefit of THA members who are not able to attend the events. Short articles and photos about other subjects relating to Treasury history would also be welcome, including members' collections of Treasury memorabilia or anniversary articles about Treasury bureaus or major events. We are interested in your suggestions for such articles and items of interest to THA members and friends of the Treasury from anyone willing to contribute to our newsletter.

Jerry Auten, Editor

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