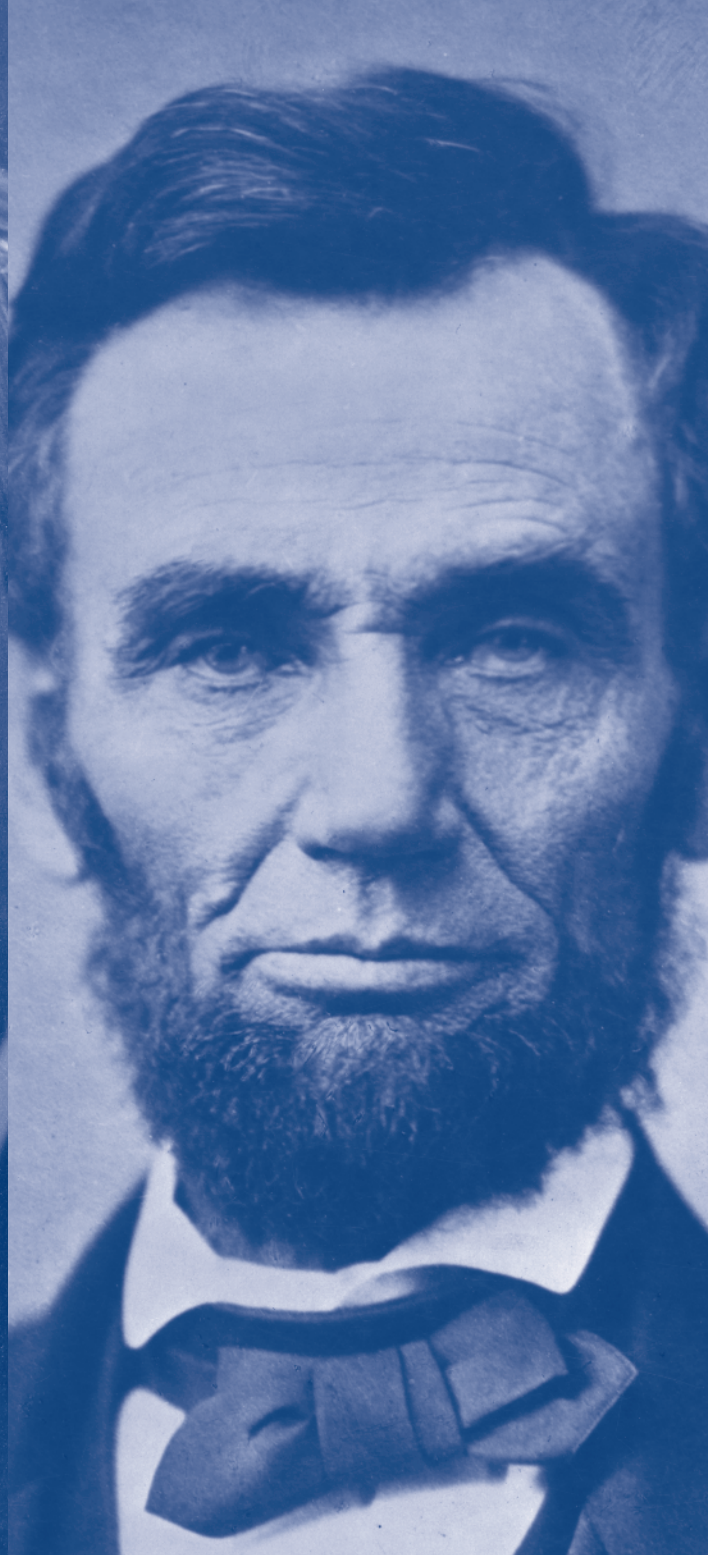




WOODROW WILSON
1913-1921



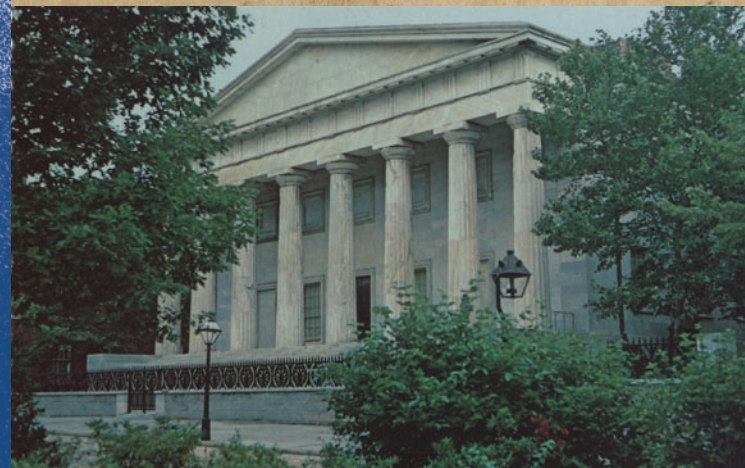
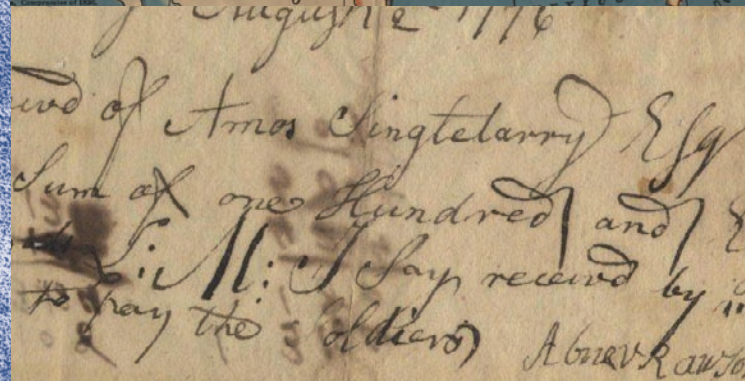
ABRAHAM LINCOLN
1861-1865



ANDREW JACKSON
1829-1837



GEORGE WASHINGTON
1789-1797



The Museum of American Finance's core mission is to preserve, exhibit and teach about American finance and financial history. The Museum is a unique resource that showcases the power and practice of finance. Founded after the Crash of 1929, the Museum became an affiliate of the Smithsonian Institution in 2001 and moved to historic 48 Wall Street in 2008.

HOURS

The Museum is open Tuesday through Saturday, from 10 a.m. - 4 p.m. Closed on national and stock market holidays.

DIRECTIONS

- By Subway** Trains 2, 3, 4, 5 to Wall Street; J, M to Broad Street; 1, R, W to Rector Street
- By Bus** M1, M6, M9, M15
- By Car** Limited parking available nearby on Exchange Place (between Broad and William) and on Pearl Street (between Coenties and Hanover).

ADMISSION

Tickets to the Museum cost \$8 for adults and \$5 for students and senior citizens. Children 6 and under and members of the Museum are admitted free.

**MU\$EUM
OF AMERICAN
FINANCE**

48 Wall Street, New York City
212-908-4110
www.MoAF.org

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The Museum wishes to express its sincere appreciation to Con Edison, sole sponsor of this exhibit, for its generous support.



CHECKS & BALANCES

PRESIDENTS AND AMERICAN FINANCE



ON VIEW NOVEMBER 2011 - NOVEMBER 2012

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MU\$EUM OF AMERICAN FINANCE

48 WALL STREET • NEW YORK CITY

CHECKS & BALANCES

PRESIDENTS AND AMERICAN FINANCE

From its inception as an experiment in a new kind of democratic government, the US has faced a panoply of economic and financial challenges. More often than not, the nation turned to the President to tackle these problems and secure financial prosperity.

“Checks & Balances” is designed as an ongoing series of rotating exhibitions. The inaugural installment focuses on the national and personal fiscal policies of five of the most well-known Presidents: George Washington, Andrew Jackson, Abraham Lincoln, Woodrow Wilson and Franklin Delano Roosevelt. The exhibit introduces important Treasury Secretaries and tracks significant financial markers, such as GDP, national deficit and presidential salary. It also delves into the personal finances of the Presidents, including their economic backgrounds and their own banking practices.



One of President **George Washington's** most pressing challenges was the national debt incurred during the Revolutionary War. His first Secretary of the Treasury, Alexander Hamilton, created new financial systems that helped America repay that debt. When Washington took office, the federal government was essentially bankrupt. Federalists, like Washington and Hamilton, believed the best way to create a lasting republic was to give the central government an efficient system of tax collection and public credit. Hamilton, therefore, advocated that the federal government assume and then pay the states' war debts.

At Hamilton's urging, the many federal and state bonds issued during the war were replaced with three types of federal bonds that soon traded at yields around 6%. To pay the interest due on the new bonds, the government established revenues from tariffs, tonnage duties and excises. It also incorporated a new central bank, the Bank of the US, which provided loans to the government and to merchants and other businesses. Hamilton's system established the young nation's credit, and the national debt has existed ever since with the exception of a brief debt retirement under Andrew Jackson.

Above: Bond issued to and signed by President George Washington, 1792.

Mistrustful of banks and paper money and relatively financially uneducated, President **Andrew Jackson** left an intriguing financial legacy. Jackson is infamous for vetoing the re-charter of the Second Bank of the United States, a federally-chartered central bank. Additionally, he extinguished the national debt in 1835 and is the only US President ever to do so.

Believing the praise he received for the elimination of the debt and his re-election in 1833 were signs of support for his financial policies, Jackson ordered the premature removal of the government's reserves from the Second Bank of the US in an attempt to kill it outright. Five Treasury Secretaries served during his presidency, including Roger B. Taney, who removed and then deposited the reserves in various state banks thought loyal to the administration. Jackson's victory in the "Bank War" is considered questionable because these and other policies, such as the Coinage Act of 1834 and the Specie Circular of 1836, ultimately destabilized the financial system. When the US suffered a banking panic in 1837, the economy slipped into a severe depression that lasted until 1842. The resulting decline in government revenues ironically led to deficits that necessitated the rebirth of the national debt.

Above: Second Bank of the US shares owned by Baring Brothers of London, April 1830.

Entering office at the dawn of the Civil War, President **Abraham Lincoln** faced tremendous challenges. Everything about the war was contentious including finding the means to finance it. In addition to raising \$3 billion to fight the Confederacy, Lincoln and his Treasury Secretary, Salmon P. Chase, had the added challenge of financing the war in a way that was perceived equitable across the polarized nation. They also lacked a stable financial infrastructure without a central bank, a national banking system, a national currency or a means for collecting internal federal taxes.

Lincoln and Chase's financial legacy was tremendous, as they created innovative ways to collect federal revenues that are still used today. New taxes, such as the first income and inheritance tax, were introduced in the war years, along with new excise taxes. Also, for the first time since the Revolution, the federal government printed its own money, called greenbacks, and took the first steps towards creating a national regulation system for banks. Bond drives were organized to sell securities to laypeople and immigrants to raise money for the war while uniting the Union states. By the war's end, the Union raised about two-thirds of its money through loans, and about a quarter by increasing tariffs and taxes.

Above: \$5 greenback dated March 1863.

Woodrow Wilson's greatest financial responsibility was funding World War I. He and Treasury Secretary William Gibbs McAdoo struggled with the issues of how much to borrow, and how much and whom to tax.

Wilson's Democratic and Populist political base opposed excise tariffs and borrowing (through bonds), the former because they fell disproportionately on lower income Americans and the latter because they unduly benefited the most affluent who could afford to purchase more bonds and therefore collect more interest.

Republicans in Congress countered that it was unfair and inexpedient to tax the rich too heavily. Facing the reality that the nation would have to rely heavily on the support of the wealthy, Wilson and McAdoo struck a balance by implementing a graduated income tax, inheritance taxes and business taxes, and by selling war bonds. These measures would also limit inflation by decreasing the spending power of the working classes, keeping prices down in the face of rising demand. Despite their best efforts to keep inflation in check, however, prices jumped by double digits from 1917 through 1920.

Above: \$100,000 gold note specimen bearing the image of Woodrow Wilson. (On loan from the Curating Section, Federal Reserve Bank of New York)

Franklin D. Roosevelt served during a critical period for the country. Inaugurated in the depths of the Great Depression, he spent his first two terms trying to fix the broken economy with "New Deal" initiatives. His other major financial challenge was to finance World War II. Despite tension between Congress and the President, important financial legislation was passed, and the US successfully funded a war that cost more than all of America's other wars through the 20th century combined.

New Deal legislation aimed at creating jobs and Social Security, boosting agriculture and industry, supporting unions and regulating banks gave way in 1940 to revenue and tax bills in preparation for a looming war. Like Wilson, Roosevelt and Treasury Secretary Henry Morgenthau favored progressive taxation of businesses and the wealthy. Republicans favored a more broad-based and less graduated tax system, such as sales taxes. Tensions ran high in the search for a middle ground, but in the end all Americans were asked to make sacrifices. Income taxes increased significantly during the war, especially for those subject to a "Victory tax" on larger incomes. Americans were also asked to invest in the war through Victory Bonds.

Above: Appeals to patriotic duty, such as this wartime Broadway musical, spurred financial support for the war effort.



FRANKLIN DELANO ROOSEVELT
1933-1945