

# Corporate Nightmare in the Treasury

by Jim Tarbell

Nineteenth Century nightmares have come to life. Banker Alexander Hamilton's tenure as the first US Secretary of the Treasury scared American citizens into keeping bankers out of the Treasury for most of the next century. Politicians and the electorate both knew that bankers will empty the public treasury to feed their failing financial friends. Henry Paulson's shoveling of trillions of public dollars into the pockets of his Wall Street cohorts is the true-life rendition of this archetypal nightmare.

Hamilton, kin to New York wealth and protector of British financial interests, promoted money as power. He used it to rationalize the creation of the first US central bank, which he designated to be "under the guidance of individual interest not of public policy." He also started several private banks and promoted a connection with British financiers. He caused the most outrage by spending the public Treasury to buy "toxic" revolutionary war debts at full price from New York speculators, who had acquired them from war veterans at 15 cents on the dollar. This scheme prompted Senator William Maclay to portray New York speculators as "satanic henchmen in collusion with Hamilton to foster 'the most abandoned system of speculation ever broached in the country.'" Such dealings led the next President John Adams to opine that bankers are "swindlers and thieves." His successor Thomas Jefferson wrote that "banking establishments are more dangerous than standing armies, and that the principle of spending money to be paid by posterity under the name of funding is but swindling futurity on a large scale." Andrew Jackson fought a gigantic battle with the second US central bank, which he proclaimed "threatened 'the perpetuity of our

republican institutions' by allowing an 'aristocracy [of] the wealthy and professional classes' unchecked power over 'the mass of the people.'"

For 100 years, through the terms of 40 Treasury Secretaries, only one banker headed the Treasury. The other thirty-nine guardians of our monetary system were political professionals, wary of bankers looting the public treasury.

Throughout the 1800s, people were both horrified and amazed at the ability of bankers and financiers to create money out of nothing. This included private banks that printed their own money and used fractional-reserve banking to create geometric growth of new money from a single new deposit. Financial panics in 1819 and 1837, caused when banks could not repay depositors, ruined the savings of millions of Americans. Popular outrage over such banking practices led the framers of the original 1849 California Constitution to prohibit the establishment of banks in California.

Bankers did not seize control of the Treasury until the robber barons in the late 1800s concentrated wealth in a few hands and big money completely took over our political system. As the accompanying chart shows, over the years since then, commercial, investment and institutional bankers controlled the Treasury over 50% of the time. In that era of big money politics, they established the Federal Reserve System which put the monetary system under the control of the private bankers. In the last 20 years bankers have run the Treasury over 70% of the time, surpassing the record set in the run-up to the Great Depression. Let's hope they have not ushered in another depression

In recent years, unregulated investment bankers have increasingly overseen the public Treasury. Now they are shoveling trillions of dollars out to their friends. As Naomi Klein wonders, "Has the Treasury partially nationalized the private banks... Or is it the other way around? Is it Treasury that has been partially privatized by Wall Street?" Goldman Sachs, the investment bank that has received millions of the bailout dollars, has also supplied most of the people running the bailout program. On top of that, the "Goldman Sachs Treasury" has outsourced the handling of much of the bailout to New York banks that have staffed the bailout process.

The founding fathers must be turning over in their graves. Bankers should never oversee the Treasury again. The Secretary of the Treasury should be an able citizen who can truly protect our public wealth and not allow corporate bankers to plunder our Treasury and ruin our monetary commons.

**Bankers should never oversee the Treasury again.**

**Percentage of Years with Bankers as Secretary of the Treasury**

