

Introducing the Museum of Trade, Finance, and the Fed at the Atlanta Fed's New Orleans Branch

Across the street from the New Orleans Branch of the Federal Reserve Bank of Atlanta is Lafayette Square, and in the center of that square is a statue—not of Lafayette, but of Henry Clay, famous antebellum senator from Kentucky. Clay was also a surprise defender of the second Bank of the United States. This was the only federally chartered bank in the country at the time—the early 19th century—and a precursor to the Federal Reserve. If you look carefully at the statue, you will notice that Clay is staring directly at the Branch's doors, the entryway to the newly opened Museum of Trade, Finance, and the Fed.

The Federal Reserve and trade

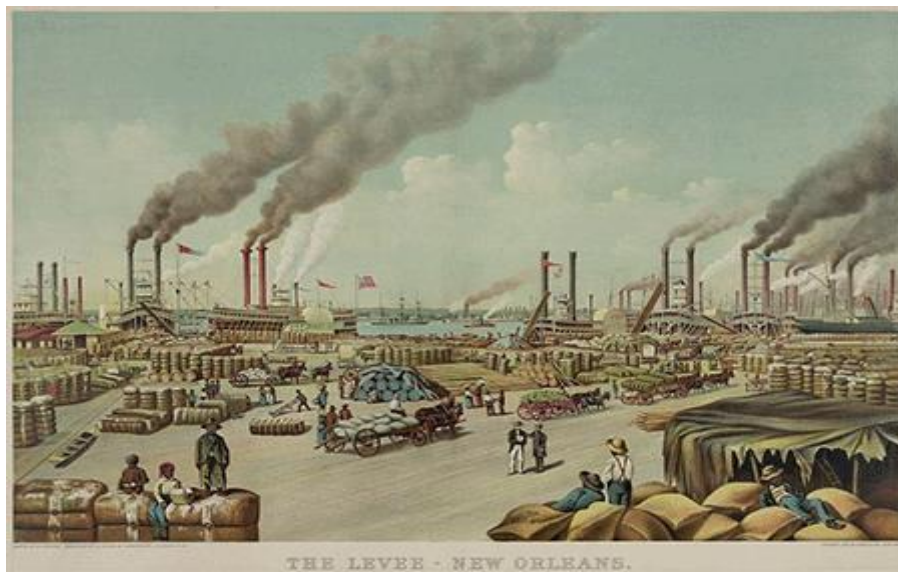
The direction of Clay's gaze is, I think, a fortunate coincidence. Why? Because Congress expected the Bank of the United States to perform many of the same functions that it has more recently placed with the Federal Reserve—namely, to provide better management of our national payments system, provide a more stable national monetary system, and help regulate the conduct of other banks. And through its conduct, the second Bank of the United States turned one of its fiercest critics—Clay—into a devoted advocate.



The Museum of Trade, Finance, and the Fed, into which Clay now stares, tells about the Federal Reserve but in a way that moves beyond a recitation of the Federal Reserve's purposes and functions (although you can learn about those here, too). Instead, the museum takes visitors through the essential pieces of the nation's financial infrastructure. We think that an understanding of how financial institutions promote trade and economic prosperity will give visitors a useful perspective for thinking about the functions Congress has entrusted to the Federal Reserve. And along the way, maybe we can turn a few critics into advocates.

New Orleans is the perfect setting for this museum. Everywhere you look in the city are reminders of its centuries-old role as a hub of trade: the historic port that has welcomed traders for centuries, the art and the cuisine created by the many different cultures represented here, even the paddleboats that were once the engines of American trade. If you look even closer, you'll see that this port of trade is built on a financial infrastructure that has roots more than a millennium old. The museum tells that story as well.

At the museum, you'll learn about the financial infrastructure supporting trade. You'll learn that, at the most basic level of trade, participants must find a common language to negotiate their terms. A medium of exchange—money—develops, replacing the more cumbersome barter trade. Banks emerge to help finance, insure, and authenticate transactions. In time, institutions such as exchanges, clearinghouses, and central banks like the Federal Reserve arise to help coordinate robust trading activity.



Where did these institutions begin? And what is their role in trade? These are the questions the Museum of Trade, Finance, and the Fed explores as you learn about the financial history of the city. And as you are learning, we hope you'll also get an appreciation of the role of the Federal Reserve System in protecting our financial infrastructure.

“I choose publicly to avow my actual conversion” (Henry Clay, 1832)

I'll finish telling the story of Senator Clay and the second Bank of the United States, but first let's move about 10 blocks to the north of Lafayette Square. In the heart of the French Quarter is Jackson Square, and in *its* center is a statue of its namesake, Andrew Jackson, the hero of the 1815 Battle of New Orleans. Jackson was no friend of banks, and he was especially unfriendly to the Bank of the United States. “Money is power,” said Jackson, and the Bank of the United States was entrusted with a lot of money. It was much larger and more powerful than the state-chartered banks of the era and unique in its scope of operation—attributes it could bring

to bear on the conduct of the nation's financial system. So when the time came to recharter the big bank, Jackson moved to kill it, saying:

Some of the powers and privileges possessed by the bank [are] subversive of the rights of the States, and dangerous to the liberties of the people....



At the initial rechartering of the Bank of the United States in February 1817, Senator Clay actually shared Jackson's opinion. He felt that through the bank, the federal government could exert great influence on the nation's financial system, and thereby threaten to tilt the balance of power between the states and the federal government. But as Andrew Jackson set himself against the bank's next rechartering in 1836, Henry Clay did a surprising thing—he rose in its defense. What had won the Kentucky senator over was the conduct of the bank itself.

The bank, said Clay, had fulfilled its congressional mandates and strengthened the financial infrastructure of the nation to the benefit of trade. Kentucky was 600 miles up the Mississippi from New Orleans, that state's primary market, and this distance made trade expensive and risky. Clay argued that the Bank of the United States, with its stable currency and its branches in key cities around the nation (including an important branch at the corner of Royal and Conti in the New Orleans French Quarter) allowed trade to be conducted more effectively and at less cost than was done through a network of small, regionally anchored state banks. The bank did not manipulate trade for its own benefit, he argued. Rather, it provided a more effective conduit through which trade could be conducted, and this was to the betterment of the economy. Said Clay, "The bank is a mere vehicle; just as much so as the steamboat is the vehicle which transports our produce to the great mart of New Orleans, and not the grower of that produce."

Jackson's ultimately successful opposition to the Bank of the United States and Henry Clay's about-face on the issue together provide a useful introduction to the Museum of Trade, Finance, and the Fed.

Contributing to the public conversation

At its core, the function of the Federal Reserve, like the Bank of the United States before it, is to help ensure that the US financial infrastructure remains strong and that the many channels of credit and money remain fluid. So, too, the echoes of criticisms leveled at the Bank of the United States can still be heard about the Federal Reserve. We hope this museum contributes to the public conversation about what we do and why we do it. We are the guardians of the nation's financial infrastructure, which is built on a foundation of trust. It is therefore entirely appropriate that our institution is monitored carefully and held accountable for achieving the objectives that the American people have entrusted to us. And if we ever need reminding of these responsibilities, all we need to do is look across the street to the statue in the center of Lafayette Square. That's Henry Clay, and he is watching us.

By Mike Bryan, former vice president and senior economist at the Atlanta Fed

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