CAPITAL OF CAPITAL

NEW YORK'S BANKS AND THE CREATION OF A GLOBAL ECONOMY

EDUCATOR RESOURCE GUIDE

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INTRODUCTION: CAPITAL OF CAPITAL

It is no secret that New York is a money town.

But this is not simply a city where people come to make, spend, and flaunt cash. New York is a place that amasses money and turns it into capital – money that generates more money. The stock market, of course, links capital with investment opportunities, but other cities have stock markets. Gotham became the capital of capital because of its banks and the financial infrastructure they provide. Although the city was not the first in the United States to get a bank – a title that belongs to Philadelphia – banks quickly sprouted here to channel vital credit and cash to New York's early merchants. In turn, those merchants helped transform the port city into the lynchpin connecting the materials and manufactures of America with the markets of the world. New York's commercial origins have profoundly shaped its economy, politics, and culture ever since.

Like entrepreneurs everywhere, merchants in New York needed reliable sources of credit to carry them through cash-poor months and a place to deposit excess money in cash-rich times. Banks came to play this role, and the capital they amassed spawned growth in the city's stock market and the development of new industries, while gathering the financial expertise necessary to make New York the nation's banking center by the middle of the 19th century and the financial capital of the world in the early 20th.

This guide explores how banks became intertwined with New York's growing economy, changing with the city itself as it became larger, more influential, and more global in reach. It also shows that, from the very start, New York's banks have been at the center of controversy. With vast pools of capital at their disposal and the ability to provide or deny the credit on which businesses and individuals depend, banks are sources of power that have historically been distrusted as potentially unaccountable and yet valued as essential to the health of the economy. As a result, banks have long been subject to regulation, special scrutiny, and special treatment.

We live in a moment when New York's banks and their connection to the world, national, and local economies are in the headlines almost daily. The future is uncertain: will New York remain the world's capital of capital? A look back at how the banks built this global center of capital, the products they marketed, the projects they made possible, and the controversies they have created can provide a springboard for exploring banks in our own time and beyond.

I: BANKS FOR THE MERCHANT CITY, 1784-1863

Banks had a slow start in New York. The British Empire had prohibited most forms of banking in the colonies; as a result, at the end of the American War of Independence, there was only one bank on the continent – and it was not in New York. The retreating British had taken most of the city's gold and silver with them. Short of cash and eager to renew and build their trade with Europe, the Caribbean, and the American South, the city's merchants clamored for sources of credit so they could buy goods for resale. Starting a new bank was no small matter since it required a special act of the New York State legislature. Yet, despite the obstacles, more than a dozen banks were founded in the city during the following three decades, supporting a growing commercial economy in what became the most important port in the country.

The banks that put New York on the world's financial map were initially small, exclusive institutions that catered to businesses rather than individual savers and consumers. But the banks had an impact far beyond their merchant clients. The bank notes they printed as IOUs for their depositors became an indispensable part of the economy, a medium of exchange circulating from hand to hand. These notes made up for a lack of government-printed paper money, keeping the economy moving as the harbor boomed with business brought by the Erie Canal and the sugar and cotton trades.

These were tumultuous times for the young city and for its nascent banking sector. The nation's leaders had strongly conflicting views about banks: New York's Alexander Hamilton championed them as a way forward for the country, but politicians from Thomas Jefferson and Andrew Jackson to New York State legislators and former governor-turned-President Martin Van Buren launched furious attacks on the emerging banking industry, as did many of New York State's workingmen's and farmers' organizations. Critics charged that the banks' power threatened the popularly elected government's political autonomy and gave unfair advantages to those who controlled them. These concerns only gained currency in coming decades as New York became the nation's leading banking city, and as the risks, as well as the abundant rewards, involved in banking became clear to all.

RESPOND TO THE TEXT:

Whom did the early banks serve?
Why did merchants need banks?
What were the critics' arguments against the emerging banks?

SUGGESTED READING:

Albion, Robert G. *The Rise of New York Port*
Hammond, Bray. *Banks and Politics in America: From the Revolution to the Civil War*
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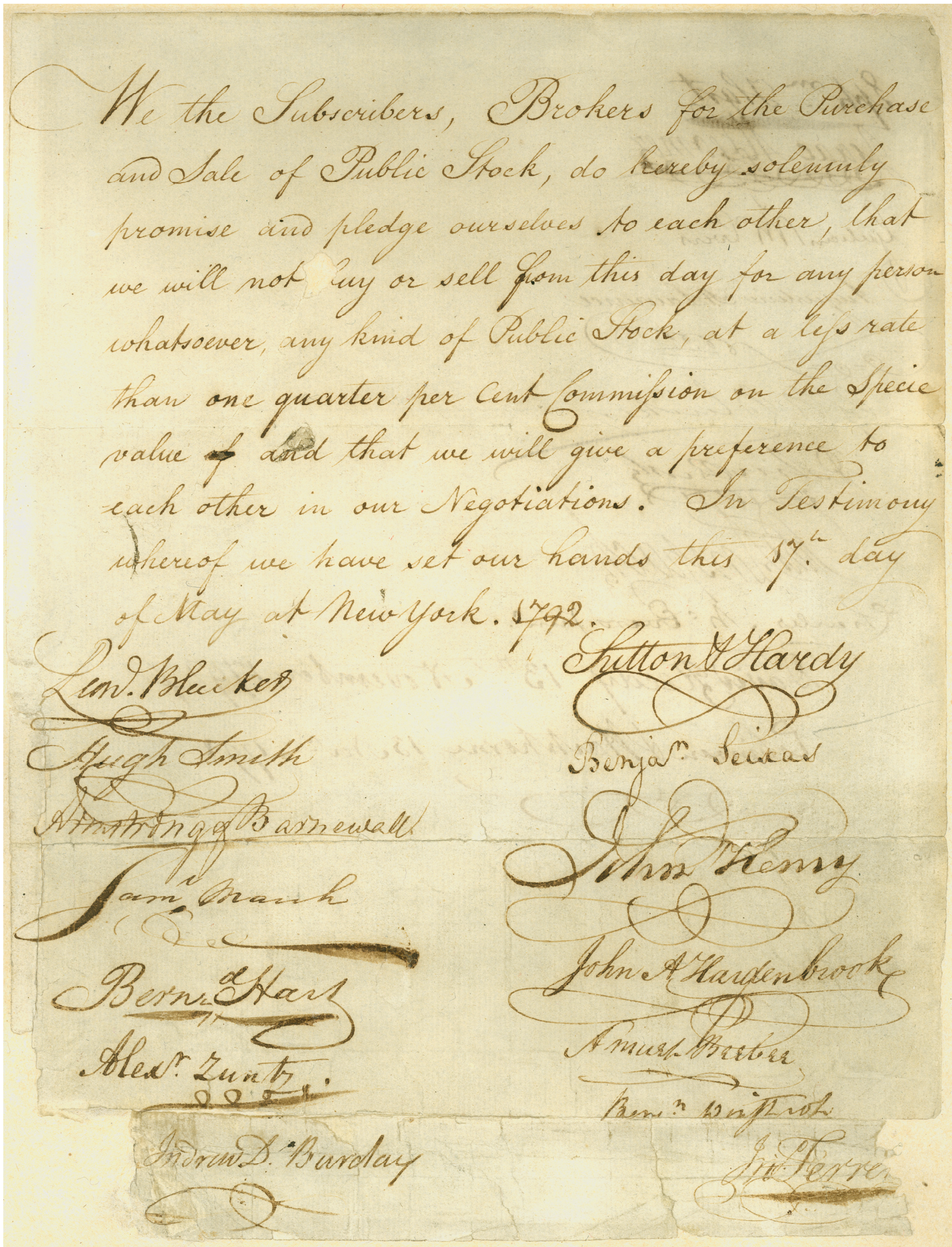
Mihm, Stephen. *A Nation of Counterfeiters*
Wright, Robert E. and David Cowen. *Financial Founding Fathers: The Men Who Made America Rich*



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Leon^d. Bleecker
Sutton & Hardy
Hugh Smith
Benja^n. Seixas
Armstrong & Barnewall
John Henry
Sam^l. Marsh
John A. Hardenbrook
Bern^d. Hart
Sam^l. Beebe
Alex^r. Zuntz
Benj^n. Winthrop
Andrew D. Barclay
Jn^o. Ferrers

"BUTTONWOOD AGREEMENT," 1792 COURTESY NEW YORK STOCK EXCHANGE ARCHIVES, NYSE EURONEXT

By 1792, so many stocks and bonds were trading hands in New York – including U.S. bonds, shares of both the Bank of New-York and the Bank of the United States, and shares in other new enterprises – that the first version of the New York Stock Exchange was founded to help bring order to the growing volume of business. Beneath a tree on Wall Street that marked the site of much of the trading, 24 brokers signed the so-called Buttonwood Agreement to form what ultimately became the New York Stock and Exchange Board, pledging to give each other preferential treatment in bargaining and fixing the rate for commissions.

BROOKLYN EXCHANGE OFFICE TWELVE AND A HALF CENTS NOTE, CA. 1830MUSEUM OF THE CITY OF NEW YORK, F2012.18.84

MARINE BANK TWO DOLLAR NOTE, 1863
MUSEUM OF THE CITY OF NEW YORK, GIFT OF MRS. EDMONDS PUTNEY, 41.167.1

MEDIUMS OF EXCHANGE

In the colonial era, paper money was printed by the individual colonies; during the Revolution, the individual new states and the Continental Congress printed their own money in an effort to finance the war. But because it was not backed by gold or silver, this money lost value rapidly through inflation. This experience was one reason the U.S. Constitution prohibited states from continuing to print their own money. Yet paper money remained a necessity for trade, especially in a nation plagued by chronic shortages of coined precious metals.

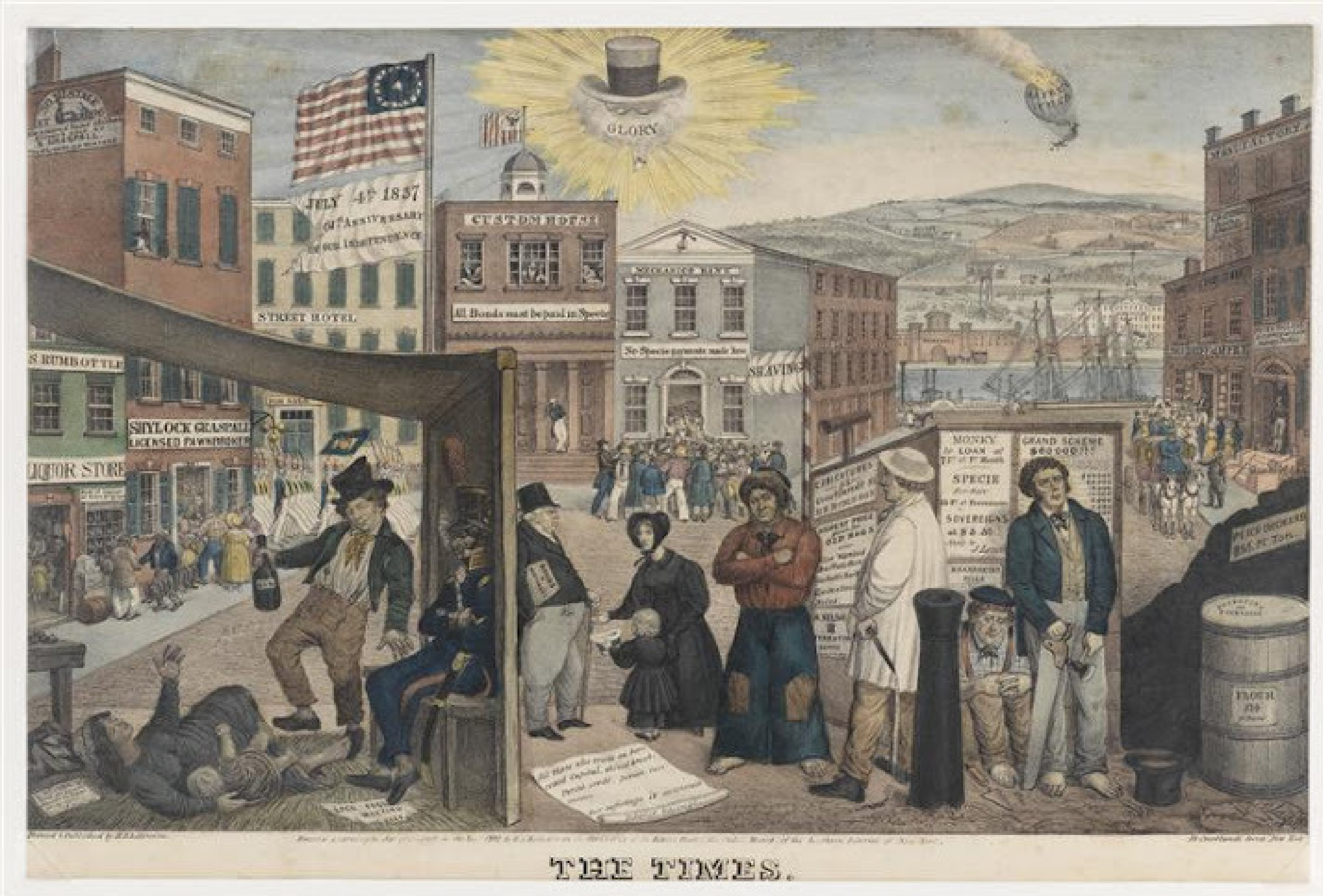
In the years between the Revolution and the Civil War, banks provided most of the paper used as money in and around the city. At their height, there were some 10,000 different varieties of bank notes in circulation in the United States. The user had to be cautious, however: the reliability of these notes and bank checks depended on the solidity of the institution that issued them, and if the bank failed or did not have enough reserve to redeem the note, the holder of the bill might only receive pennies on the dollar. New York notes were considered more reliable than those of many other states, particularly those in the West, because state law required New York institutions to live up to certain practices, including maintaining sufficient reserves.

Since so much of the economy depended on privately printed bank notes, the process of making these pieces of paper – and transporting them – became big business. Foiling counterfeiters was tricky when notes came in so many shapes, sizes, and designs. Printers often embellished them with engravings and other printed details to make them more difficult to counterfeit. In spite of these efforts, fake notes were routinely discovered.

Checks were another important medium of exchange. In our time, we are accustomed to bank checks serving a single purpose – transferring payment from a depositor's account to pay someone to whom he or she owes money. In the pre-Civil War period, checks served much the same purpose, but like bank notes, they were also passed from hand to hand, serving as a substitute for paper money.

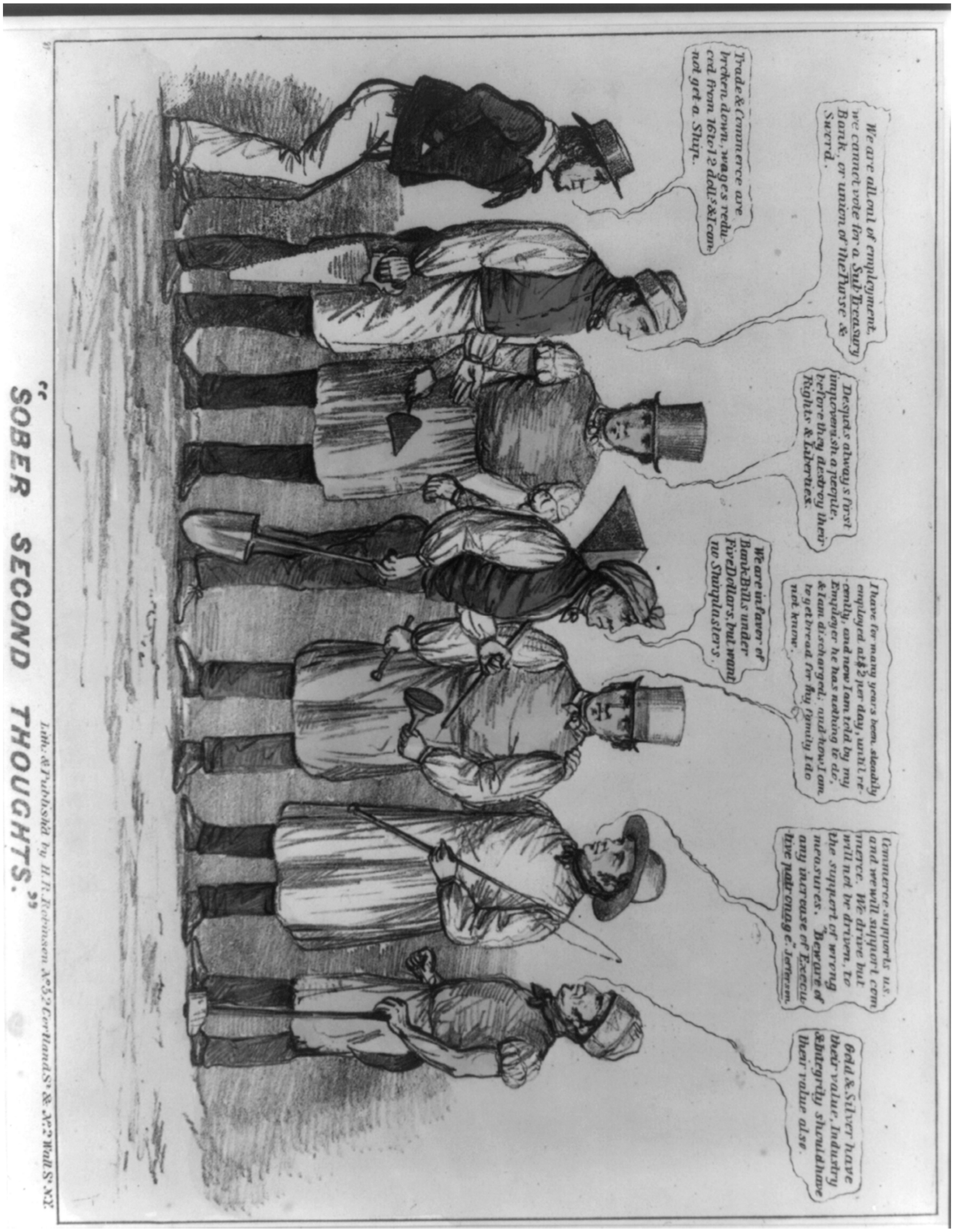
RESPOND TO THE TEXT:

What made the notes from New York's banks more reliable than those produced elsewhere?
What risks stemmed from so many different banks producing currency?
Why, between the Revolution and the Civil War, were banks the chief producers of paper money?



EDWARD WILLIAMS CLAY, *THE TIMES*, 1837 PUBLISHED BY H.R. ROBINSON
MUSEUM OF THE CITY OF NEW YORK, THE J. CLARENCE DAVIES COLLECTION, 29.100.2355

One of the most famous images of the 1837 panic, this print is filled with signs of a community in economic distress. Shoeless tradesmen huddle beside overpriced commodities, a widowed family begs for handouts, a "Mechanic's Bank" experiences a run, and well-tended fields lie just beyond the reach of the hungry citizens.



H.R. ROBINSON, *SOBER SECOND THOUGHT*, 1838
REPRODUCTION OF LITHOGRAPH COURTESY LIBRARY OF CONGRESS, PRINTS AND PHOTOGRAPHS DIVISION

Here, cartoonist H. R. Robinson blames Andrew Jackson's successor as president, William Van Buren, for the pain working people experienced as a result of the Panic of 1837.

JAMES H. CAFFERTY, *WALL STREET, HALF PAST 2 O'CLOCK, OCT. 13, 1857*, 1858
OIL ON CANVAS MUSEUM OF THE CITY OF NEW YORK, GIFT OF HONORABLE IRWIN UNTERMYER, 40.54

PANIC! 1837

"The United States were never in such a perilous condition as they are at this moment." *New York Herald*, March 30, 1837

"The present commercial revulsion is without a parallel in our history. The distress pervades all classes—the prudent and the foolhardy, the regular merchant and the speculator, the manufacturer, tradesman, laborer, banker—all are involved in one general calamity."
New York Evening Post, May 1 1837

The importance of banks had a downside – the health of the economy relied on the health of these private institutions. In the early 19th century the prospect of a large number of banks going under was a particularly terrible one, because the banks' notes served as the principal form of paper money. Ordinary people could be holding notes from one or more New York banks in their wallets whether they had put money into those institutions or not. Everyone stood to lose if the banks could not make good on the notes or went out of business.

There had been panics in New York in 1792 and 1819, but no event in this era prompted more anger at the banking system than the Panic of 1837. The cause was over-optimism about the growing value of Western land, with banks loaning money for land purchases far in excess of the gold and silver they had on hand. When the bubble burst and land prices fell – and when the federal government announced it would no longer take anything but gold or silver to purchase land – the result was a loss of confidence in bank-issued paper money. People rushed to redeem their bank notes, and the system collapsed. Within weeks the Panic of 1837 began consuming banks throughout the country.

New York banks were supposed to be prepared for such an event. In 1829, the state had created an innovative system to back up shaky banks -- the New York Safety Fund. It created a central kitty that could be used to rescue institutions that ran out of cash. But in 1837, as New York bank failures exceeded $100 million, the Safety Fund was wiped out. The economic pain reverberated far and wide.

PANIC! 1857

The Panic of 1857 was the first worldwide economic crisis. Causes were both international and domestic: the price of grain and income of American farmers plunged when European soldiers returned to their own farms after the Crimean War, railroad companies built too many tracks and could not pay back their loans, and the American banknote system showed continued weakness. The immediate cause was the failure of the New York branch of the Ohio Life Insurance and Trust Company on August 24, 1857. The telegraph spread the news rapidly across the country, closing banks as far away as Omaha and affecting the economies of Europe, South America, South Africa, and Asia.

James Cafferty's painting pictures the chaos on Wall Street the day before banks in the city stopped business entirely, reopening only two months later. Cornelius Vanderbilt is at the extreme right of the painting, Jacob Little, a major figure in the country's mid-19th railroad expansion, stands at the center in a light gray drover's topcoat, and *New York Herald* managing editor E.W. Hudson appears next to a bearded man at the left.

RESPOND TO THE TEXT:

How does the H.R. Robinson's cartoon *Sober Second Thoughts* and Edward Williams Clay's image *The Times* illustrate the quotations above?
What caused the Panic of 1857? How did news of the failure of the Ohio Life Insurance and Trust Company spread?

MUSEUM OF THE CITY OF NEW YORK Frederick A.O. Schwarz Children's Center

SECTION II: BANKING FOR AN INDUSTRIAL NATION, 1863-1918

The nation's economy and banking system were radically transformed by the Civil War. At the war's end New York's already-powerful banks emerged atop a new national banking system where they took on an important role: serving as conduits to channel huge amounts of capital from Europe and from within America toward massive new industrial investment opportunities throughout the country. So great was the demand for capital to build, grow, and develop that a new kind of institution emerged: the investment bank, which did not take deposits at all, but instead matched investors with projects that were supposed to make fortunes – and frequently did.

Together, New York's commercial and investment banks were the midwives of a new industrial order. Massive infrastructure projects – especially railroads, which spanned the continent and connected small villages to booming cities – triggered an industrial revolution in manufacturing, milling, and mining. This expanded transportation network also enabled a boom in agriculture, driving the country's productivity skyward and making the United States a formidable international economic power for the first time. Staffed with regiments of financiers, accountants, and clerks, New York's financial district became the economic epicenter of this transformation – a capital of capital.

Yet this growth came with a price: both the breathtaking inequality that gave this era its title "The Gilded Age," and unprecedented economic instability. Banks and investors became deeply involved in risky new ventures, but could not absorb losses when those companies went under. Collapses in the price of just one stock or runs on a single bank often triggered market-wide panics. Recessions came at least once a decade, and often more frequently – a "Long Depression" from 1873-1879 was followed by crashes big and small in 1884, 1890, 1893, 1896, 1901, and 1907. The economic pain these brought reverberated throughout the country, sparking political unrest and louder demands for regulation and stability.

RESPOND TO THE TEXT:

In what way did New York's banks and the stock market have a symbiotic relationship?
How did investment banks differ from commercial banks?
How did the city's banks and the stock market enable New York's economy to grow during the period after the Civil War?

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Miller, Worth Robert. *Populist Cartoons*
Sylla, et al, *The Evolution of the American Economy: Growth, Welfare, and Decision Making*
Urofsky, Melvin. "The Value of Other People's Money" http://www.nytimes.com/2009/02/07/opinion/07urofsky.html

STOCK TICKER IN USE AT THE NEW YORK STOCK EXCHANGE FROM 1867-1930
MUSEUM OF THE CITY OF NEW YORK, GIFT OF HENRY FENDALL, 43.420A-C

A stock ticker is a running report of the prices and trading volume of securities traded on a stock exchange. A "tick" is an up or down movement in the sale price of a security. Beginning as early as 1867, paper ticker tape reported information received over telegraph lines. These were eventually phased out in the 1960s, as evolving technology introduced new ways of transmitting the information.

GERMAN SAVINGS BANK, 1907
VINTAGE PHOTOGRAPH BY BYRON CO.
MUSEUM OF THE CITY OF NEW YORK, BYRON COLLECTION, 93.1.1.878

Founded in 1859, the German Savings Bank was one of the most successful of the first generation of savings banks in New York City. From its earliest headquarters on 14th Street and Fourth Avenue (erected 1872, demolished in 1962) - just west of the city's famous German enclave, Klein Deutschland - the bank was able to survive into the early 20th century, renaming itself the Central Savings Bank during the First World War to evade anti-German sentiment.

BOWERY SAVINGS BANK, BOWERY AND GRAND STREET, 1927
PHOTOGRAPH BY WURTS BROS.
MUSEUM OF THE CITY OF NEW YORK, WURTS BROS. COLLECTION, X2010.7.1.3361

In 1895 the Bowery Savings Bank hired architect Stanford White to construct a new headquarters. The result was a "temple of thrift," a neo-Roman extravaganza that set the tone for bank architecture in the city for the next several decades. Today it houses an elaborate restaurant - thrift has literally been replaced with consumption.

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SECTION III: BANKING IN A GLOBAL ECONOMY, 1919-1974

New York banks were already operating on an international stage at the start of the 20th century, when World War I visited catastrophic destruction upon Europe. The world that took shape in 1919 was one where New York – for the first time – was the global capital of capital.

The United States emerged from the “Great War” as a creditor nation, lending more money abroad than it borrowed. This development alone was enough to reconfigure international banking politics for the rest of the century. Europeans exported streams of gold to New York, making the city into the world’s most important depository of precious metals, while elevating the dollar to the world’s reserve currency. After World War II, with the world’s money in its vaults, New York banks went global – not only opening branches abroad, but also lending to international customers who beat a path to their doors. New York’s banks became the world’s banks, and the city’s bankers became an arm of American power and unofficial ambassadors of capitalism.

At home, these changes contributed to explosions of credit and consumption, allowing people to buy homes, cars, and luxury goods of all kinds. Personal debt, which a century earlier was considered a stain on one’s character, was now socially acceptable and actively marketed by financial institutions. In 1929, the downside of this lending was revealed when it became clear that banks had been using customers’ deposits to fuel their own investments in the market. The crash and the depression that followed resulted in a set of new government regulations that rewrote the social contract of banking. Customers’ accounts would be given protection, but in return the banks had to abide by rules that would constrain risky practices.

The new structures provided by these 1930s regulations, along with intervention in World War II, enabled the system to survive. Consumer credit and international lending resumed with renewed vigor after World War II, but in a different context from anything the United States had experienced before – one that promoted stability by limiting what banks could do and where they could do it.

RESPOND TO THE TEXT:

What does it mean that New York emerged from World War I as a “creditor nation”?
How did the increase in personal consumption and borrowing contribute to the Great Depression?
What regulations resulted in a change in the “social contract of banking”?

SUGGESTED READINGS/VIEWINGS:

Advertisements for Chemical Bank http://library.duke.edu/digitalcollections/adviews_chemical/
Hyman, Lewis. *Borrow: The American Way of Debt*
Huxtable, Ada Louise. *A Landmark Jewel Box Loses Its Biggest Gem*
http://online.wsj.com/article/SB10001424052748703506904575592394173795892.html
Ott, Julia. *When Wall Street Met Main Street*
Zumello, Christine. *“The Everything Card” and Consumer Credit in the United States in the 1960s*

SAVINGS BANK MACHINE, 1922
LENT BY CITI CENTER FOR CULTURE, COLLECTION OF FINE ART

Though the Schermack Corporation designed this machine to look like a traditional bank, its function foreshadowed the banking world of the future. Founded by Joseph J. Schermack in Detroit in 1907, the company created a line of automatic machines that eliminated the need for a salesperson – or in the case of this bank machine, a teller. Best known for machines that gave out stamps, Schermack also made the news with a cigar-dispensing machine that talked. First installed around 1927 in a store on Broadway, the contraption prompted the Associated Press to write that it did “everything but slap the customer on the back and ask him how his family is.”

It is not certain where this machine was installed or whether it ever went into production, however receipts found inside the machine suggest people used it, at the very least as a novelty. The receipt would come out of the machine after a user inserted his coins. The user then wrote his account number on half of the receipt and deposited it back into the machine by opening the horizontal door and slipping it in the slot.

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REGINALD MARSH, *BREAD LINE – NO ONE HAS STARVED*, 1932 ETCHING
MUSEUM OF THE CITY OF NEW YORK, GIFT OF MISS GRACE M. MAYER, IN MEMORY OF THE ARTIST LAUREATE OF NEW YORK, 55.292

In the absence of substantial government relief programs during the Great Depression, free food was distributed with private funds to large numbers of the unemployed at various locations across the city.

ROBERT CUMMINGS WISEMAN, *HOOVERVILLE VIEW ACROSS OLD RESERVOIR BEHIND METROPOLITAN MUSEUM OF ART*
CA. 1930 PENCIL ON PAPER
MUSEUM OF THE CITY OF NEW YORK, GIFT OF ROBERT WISEMAN, 46.136.1

As the Depression worsened, tens of thousands of New Yorkers were evicted from their homes. The shantytowns that sprang up along the East River, the Hudson, and in Central Park were angrily dubbed “Hoovervilles,” as Americans blamed President Herbert Hoover for the crisis. The largest of these in New York was located in the middle of Central Park, near the abandoned Croton Reservoir.

THE GREAT DEPRESSION

Sandwiched between periods of expansion and optimism, the Great Depression and World War II seem like anomalies in the 20th century coming-of-age of New York as a banking power. Yet they changed the structure of U.S. banking for generations.

New York's banks helped fuel the stock market's spectacular rise in the 1920s by making loans to customers who wanted to buy stocks but did not have enough money to cover their bets, and taking the stock itself as collateral. When the bottom fell out of the market in a sickening series of sell-offs in the fall of 1929, banks found themselves on the hook – unable to collect debts from their borrowers and in possession of stocks worth far less than the value of the outstanding loans. Falling confidence in banks' health became a self-fulfilling prophecy as customers began withdrawing deposits and other banks began calling in their loans from already shaky institutions. Nearly $500 million in deposits were withdrawn from New York banks in the last two months of 1930 alone, and banks began to fail across the nation.

Congressional hearings uncovered uncomfortable information about bankers' practices, which highlighted the hazards of mixing stock market speculation with the business of taking care of depositors' money. Banks had invested in risky securities in order to pay off loans, and they had used customer bank deposits to prop up stock prices, putting depositors' money at risk. What followed was a set of new laws and rules to curb these activities, to separate commercial from investment banking, and to introduce stability into system. These regulations – particularly the Glass-Steagall Act of 1933 – shaped banking for the next half century and continue to shape how many Americans think about banks to this day.

RESPOND TO THE TEXT:

What role did New York City's banks play in the stock market crash?
What are examples of regulations that resulted from the hearings?

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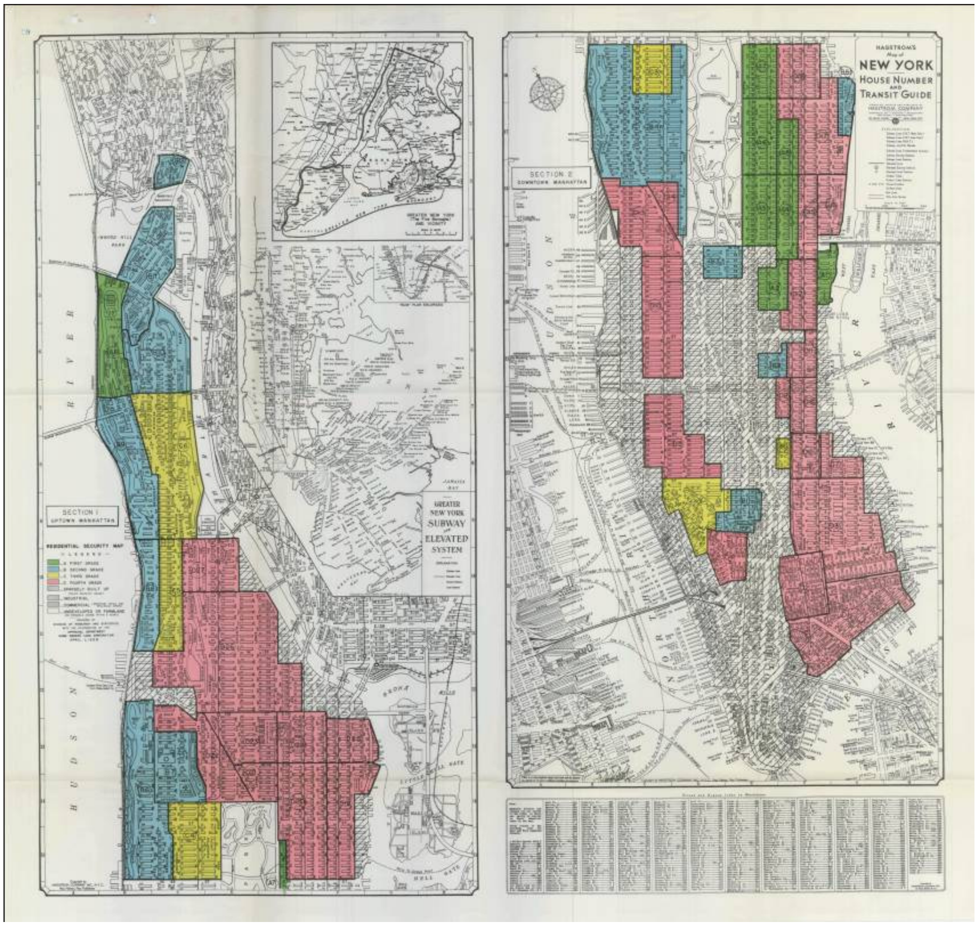

RESIDENTIAL SECURITY MAP FOR SECTION I, UPTOWN MANHATTAN, HOME OWNERS' LOAN CORPORATION, APRIL 1, 1938 COURTESY NATIONAL ARCHIVES, WASHINGTON, D.C.

Though racial discrimination in housing was hardly new, the Home Owners' Loan Corporation (HOLC) gave it a federal seal of approval. The program, created in 1933, provided low-interest loans to urban residents whose homes had been foreclosed and gave money for refinancing mortgages. Using local lenders, realtors, and appraisers to evaluate neighborhood conditions, the HOLC also created elaborate maps and reports indicating the perceived security (and risk) of real-estate investments in 239 different cities across the country; banks in turn used these "redlined" maps to make their loan decisions. The riskiest—marked red—typically indicated racially or ethnically mixed neighborhoods, most often African-American. In 1940, two years after HOLC created this map of upper Manhattan, the census showed most of the redlined area above Central Park to have a majority of black residents.

These maps helped set federal and bank lending patterns for several decades, ultimately denying home loans not only to central city black neighborhoods, but sometimes to entire cities. While the government and commercial lenders subsidized the building of single-family white suburban homes, in 1966 they categorically denied mortgages to cities, including Camden and Paterson, New Jersey, whose non-Hispanic white population was in the minority by the 1970s.

RESPOND TO THE TEXT:

How do the Home Owners' Loan Corporation maps illustrate racial discrimination? Why were certain areas "redlined"?

BROCHURE ADVERTISING FIRST NATIONAL CITY BANK'S "THE EVERYTHING CARD," 1967
LENT BY CITI CENTER FOR CULTURE, HERITAGE COLLECTION

Commercial banks were late on the scene to the credit card business, but that business quickly exploded. Between 1967—when First National City Bank launched the Everything Card—and 1971, the number of commercial banks rose from 390 to 1,535. These cards, which also included the California based Bank of America's BankAmericacard (created at the end of the 1950s) did not just allow customers to buy niche items like dinners or hotel stays, but encouraged them to purchase "everything." And they could do so on revolving credit, which meant that they could carry over their balance to the following month—and pay a fee. As economic historian Louis Hyman writes: "Unlike open accounts or charge accounts, which maintained the fiction of the convenience credit, revolving credit made explicit that the customer was burrowing beyond [his or her] means to completely repay, if only for that month.

SECTION IV: THE CAPITAL OF CAPITAL IN AN UNCERTAIN WORLD, 1975-2012

In the last quarter of the 20th century, the economic growth and international dominance that had put the United States' financial sector in a leadership position since World War II – and in many ways as far back as the early 1920s – were thrown into question by a maelstrom of events: the increasingly expensive and politically unpopular Vietnam War, the 1970s oil crisis, and runaway inflation. At home in New York City these factors, along with risky financial cooperation between banks and the city government, precipitated a fiscal crisis that left many uncertain about the viability of the city itself.

When New York City finally emerged from its economic woes in the early 1980s, both the city's banks and the nation's economy were catapulted into a period of dramatic change. Deregulation – the new byword in American politics – led to growth and consolidation while unleashing a series of technical and financial innovations that changed the very nature of banking.

Although many of New York's banks continued to expand their core businesses, they also engineered risky new products that created vulnerabilities in the world economy. Terms like "collateralized debt obligations," "mortgage-backed securities," and "derivatives" have now entered the common lingo, but they were largely overlooked and not widely understood until they triggered the crisis of 2008. Today, the events of that year and their aftermath continue to be felt throughout the American economy. Debates over the power of the banking industry rage as vigorously as they did in the early 19th century, but now focus on the systemic importance of New York's banks to the economies and governments not only of New York, but of the rest of the world.

RESPOND TO THE TEXT:

To what extent has the role of banks changed or stayed the same over time?
How have booms and busts affected the way banks are regulated?
In your opinion, is New York the Capital of Capital?

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Lewis, Michael. *The Big Short.*
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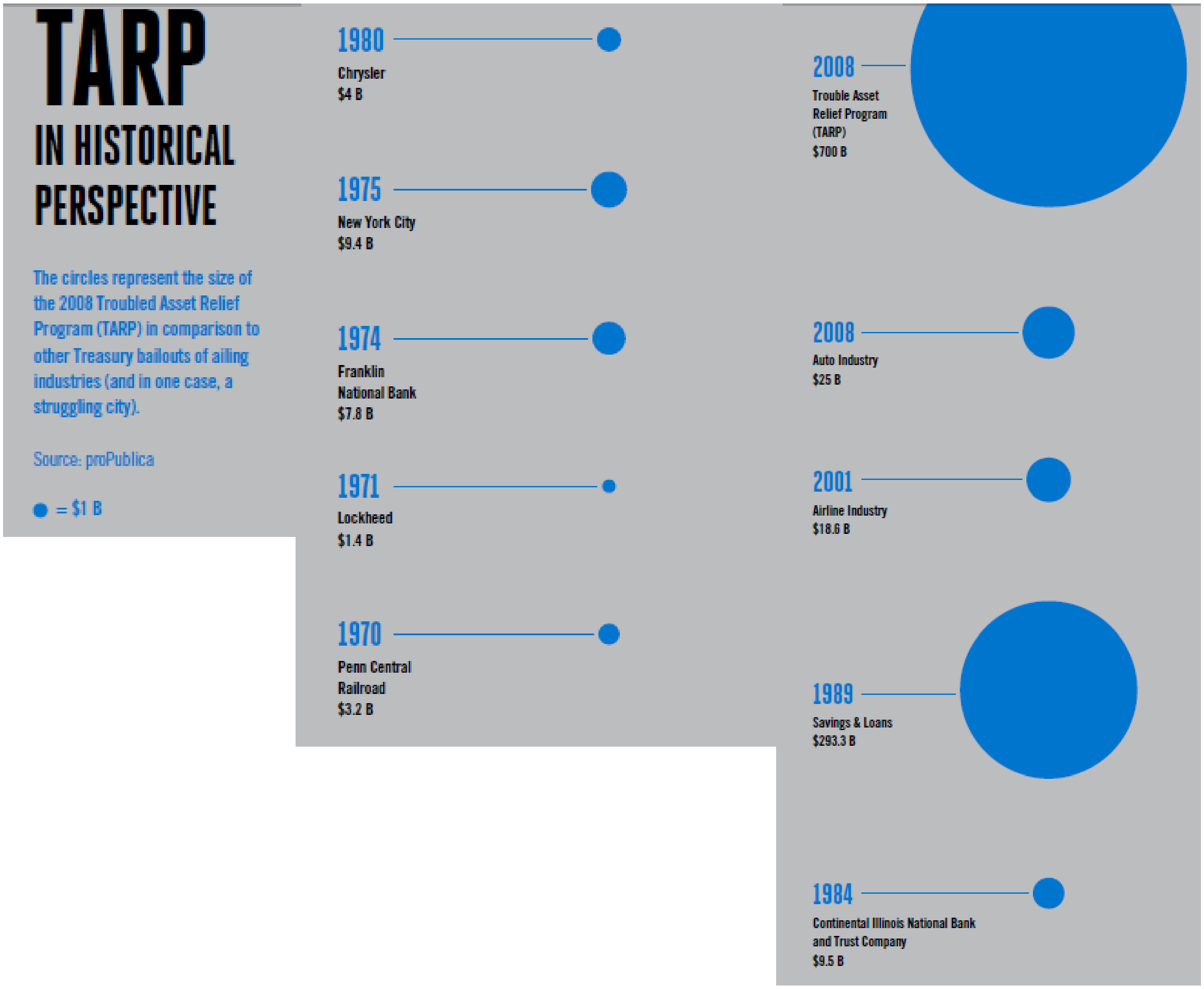

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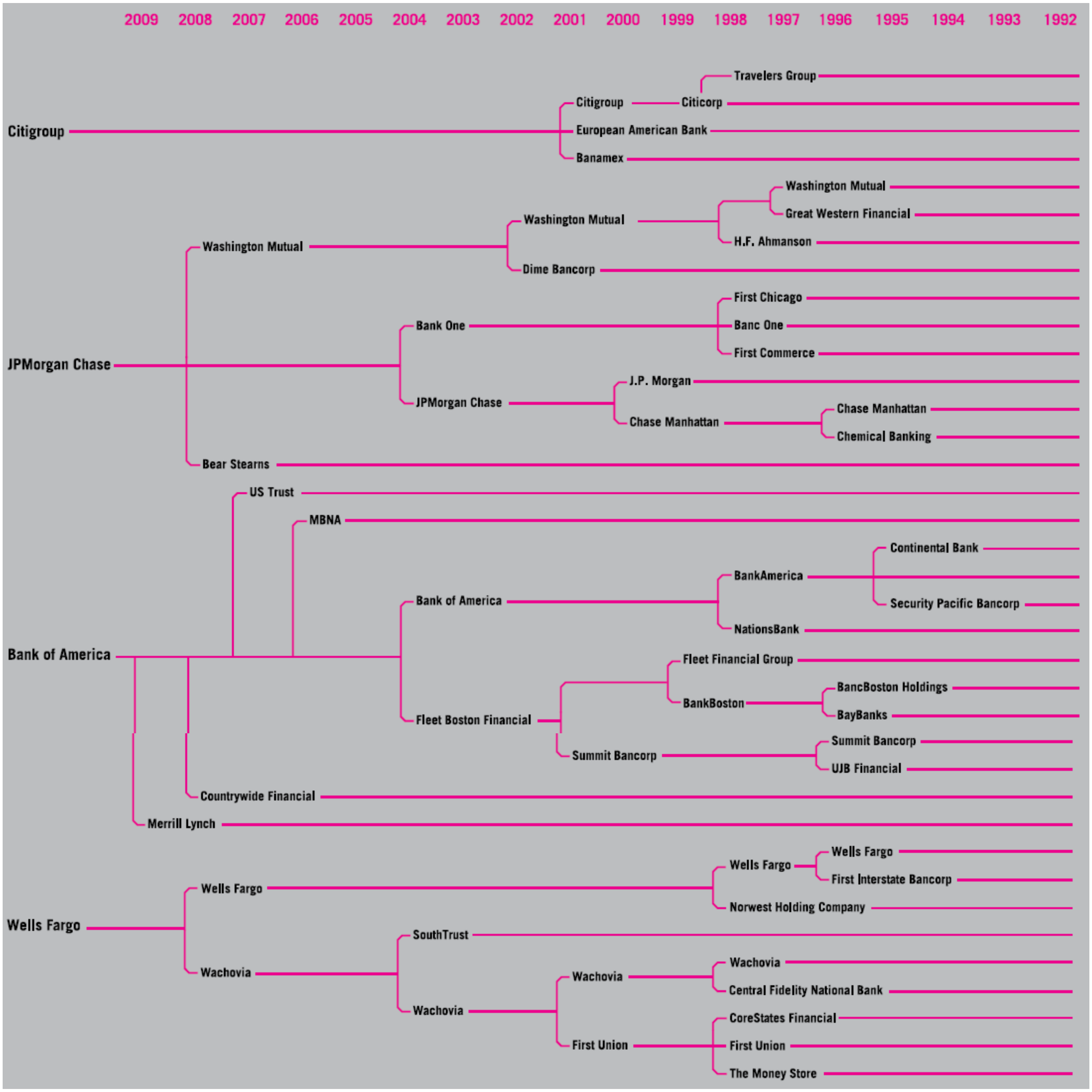
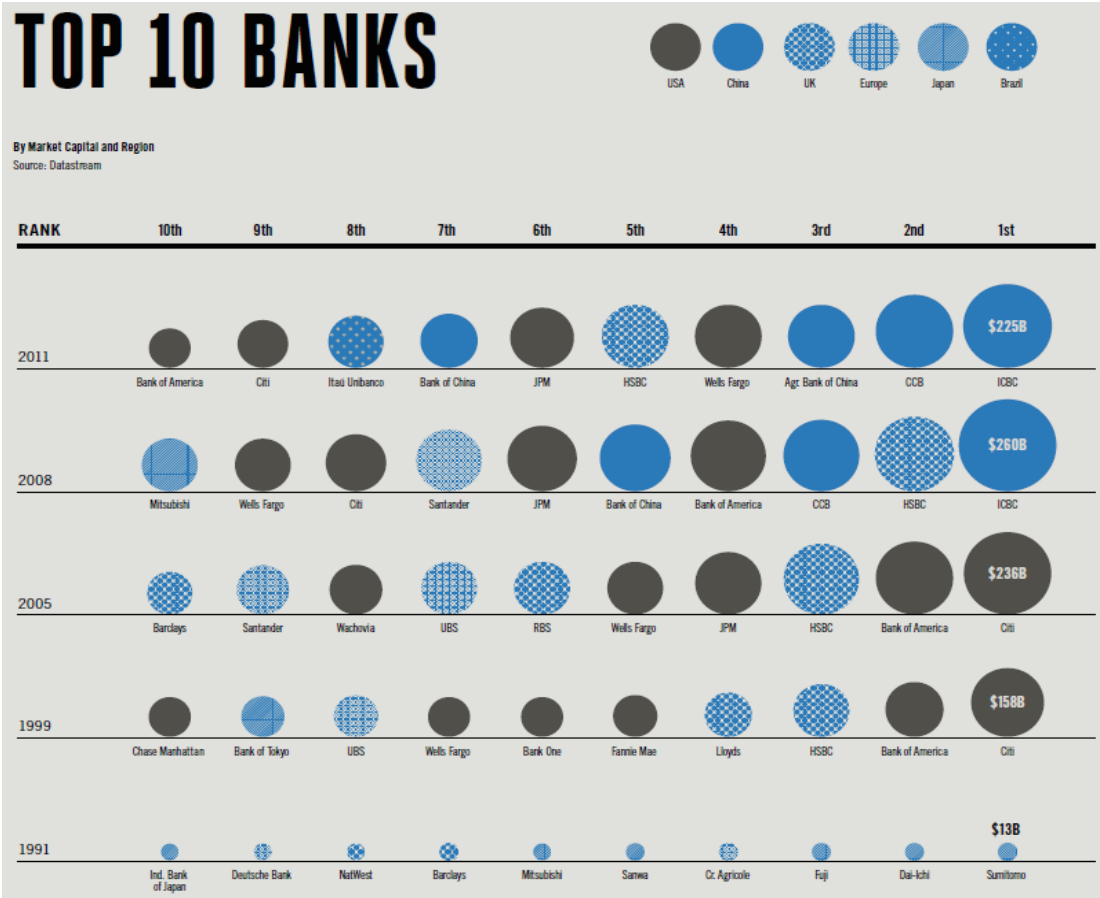


SOURCE: MOTHER JONES

Deregulation allowed existing banks to look beyond their sectors and their regions and grow their operations and portfolios through mergers and acquisitions. During the 1980s alone, more than a quarter of the nation's banks — nearly 5,000 — were acquired by larger competitors looking to own branches in other states and unfamiliar markets. This accelerated in the decades that followed: in 1990, the nation's top 10 banks controlled 20 percent of the industry's capital, and by 2010 it was nearly twice that. Despite this consolidation, however, industry experts could point out that, compared to banks in other developed countries, like Great Britain, Canada, and Germany, the American banking sector remained far more diverse and competitive.

"THE PEOPLE'S BANK OF CHANGE," CREATED BY OCCUPY WALL STREET PROTESTORS, 2011
LENT BY OCCUPY WALL STREET ARCHIVES

Although Occupy Wall Street critiqued the economy of money, they needed money of their own to purchase food and supplies, finance publicity, and fund other necessary expenditures. Appealing for funding via websites and through donation boxes such as this one, OWS raised more than $500,000 by November 2011 – almost $20,000 a day—and set up an account with Amalgamated Bank, the nation's largest labor bank. They also urged people to withdraw their money from the large commercial banks and to join credit unions instead.



CAPITAL OF CAPITAL? NEW YORK AND THE FUTURE OF THE GLOBAL ECONOMY

Almost four years after the worst financial crisis since the Great Depression and over two centuries since the beginning of commercial banking in the city, New York is still considered the world's capital of capital. Yet the numbers backing up the claim are changing.

In the early 2000s, the city seemed to be losing out to global financial centers like Hong Kong, Singapore, and London. Press stories pointed to startling statistics: in 2007 less than 15% of the world's new initial public offerings of stock shares were brought to market on one of the New York exchanges. In the 1990s that figure topped 74%. And even though most of the biggest banks on the globe are located in Europe (the largest American bank, JPMorganChase, is No.10 on that list), by 2050 the emerging economies of the developing world are expected to overtake today's industrial nations.

It is difficult if not impossible to foresee what the next century will bring to the city's role as a capital of capital. The United States has the advantage of being a stable and firmly capitalist nation, and New York continues to be one of the world's most desirable addresses. But history shows that the future will likely be shaped by how profit and risk are balanced, and how accountable the financial system is for its own actions. Ultimately, the question asked today is the same one raised by the 1790s: how can the city and nation balance their own needs with those of a banking system that they cannot afford to be without?

SUGGESTIONS FOR CLASSROOM ACTIVITIES:

TAKE NOTE: The early bank notes included in this packet were emblematic of how many different types of money were printed. Included on the bills were major points of identification – specific to who was printing them and also aimed at preventing fraud. What type of money do we carry today? What information is displayed on our dollar bills, coins, and credit cards? Why is it more difficult to create counterfeit currency today?

PANIC: In addition to the Great Depression and the economic meltdown of 2008, there have been numerous panics over time. Encourage students to research the panics of the 1800s through today to come up with a list of similarities and differences. Create a Venn diagram to highlight what is unique about each moment in time and encourage students to articulate the causes and effects of each event.

DEBATE IT: What role have banks played in the city's booms and busts? Using the sources in this packet in combination with additional relevant material found in the suggested reading sections, students can make a case for the role of banks as critical in developing the city or leading to economic downfalls.

ADVERTISE IT: In combination with the National City Bank advertisement included in this packet and forms of advertisements collected by the students, discuss how financial advertisements have changed over time. What messages are these ads trying to get across? Who is the intended audience? Have students think critically about opening up a bank in their neighborhood. What type of services would they provide? In groups, have them create an advertisement for this local bank.

OPPOSITION: Encourage students to research various political movements that have criticized banks over time, such as the Bank Wars of the pre-Civil War period, the Populist and labor movements of the 19th century, and the Occupy Wall Street movement. Students should be able to discuss the major concerns being expressed and the relationship to economic crisis, as well as the suggestions those involved in the movement had for future regulations.

BANK ON IT: Over the years, New York City's banks have provided products and services aligned with the changing times. From providing bank notes that provided the medium of exchange for trade, to funding infrastructure and industry, to providing consumer credit, these institutions have been instrumental to the development of the economy and its ups and downs. Choosing either a specific time period, such as the Progressive Era, or a type of product such as the bank notes depicted in this guide, encourage students to research the relationship between economic change and the development of the financial industry.

USING MUSEUM RESOURCES:

Visit http://collections.mcny.org and type terms, phrases, or place names related to New York's financial history into the search box. Discuss how the various images portray the evolution of the financial district and how the city has changed over time.

SUGGESTED VOCABULARY WORDS:

ASSET	DEBT	MERCHANT
BONDS	DERIVATIVES	MORTGAGE
CAPITAL	ENTREPRENEUR	RECESSION
COLLATERAL	FINANCE	REDLINING
COMMODITY	INVESTMENT	REGULATION
CREDIT	LIABILITY	STOCK MARKET
CURRENCY	LOAN	STOCKS