

Founder's Letter

John Herzog | Founder and Chairman *Emeritus*

On the occasion of the Museum's 25th anniversary, I recall here the history of the Museum from my perspective as founder. This column is based on the talk I recently delivered to an alumni group at my 50th anniversary reunion at Cornell University.

MUSEUM
OF AMERICAN
FINANCE

The Origins of the Museum of American Finance

WHEN I THOUGHT ABOUT telling the story of the Museum, a book came to mind that I recently read, called *Where Good Ideas Come From*, by Steven Johnson. He talks about the slow development of good ideas in encouraging environments, and I want to share the background of the Museum with you in that context.

I have been a collector all my life, and there's no recovering from that; it only gets worse as you get older. I was the CEO of a major Nasdaq market making firm, and also the chairman of R. M. Smythe, a company that provided obsolete securities research since 1880 and later held auctions of antique stock certificates, autographs, bank notes and other items. And I have loved history—especially American history—since childhood.

I started my own collection of certificates in 1959, when I left Eastman Dillon to join my father's trading firm, Herzog & Co., Inc. In the early days, when money was scarce, I wanted to be sure I would be able to sell the objects if I decided to stop collecting. I hit on financial documents from the American Revolutionary period, since many were signed by well-known historical figures and a market for them was well established. This turned out to be a very good idea.

My day job in the trading business was slow, but steady, and the firm grew nicely, always expanding our market-making activities. By 1987, we were making markets in thousands of stocks, large and small. On the day of Crash, October 19, I was in our trading room and part of the incredible confusion and pandemonium of that moment. Everyone was yelling, markets were wild and rapidly declining, and there was a sense of sheer exhaustion. The following morning, I woke to the National Public Radio announcer talking about the yen-dollar ratio. My thought was, so what? We had just lost about a quarter of the stock market value in one trading day! I realized then that Americans needed help understanding the capital markets.

I knew my collection contained some splendid pieces, and I thought putting them up for all to see would generate interest in the history behind them. I had worked my way through the possibility of

failure, realizing it would be easier to start the Museum then and fail than it would be to explain years later why I had not tried it when the opportunity presented itself. At the time I was a director of the Securities Industry Association (SIA), and I wrote to the other members asking for objects to include in the first exhibit, or a check to underwrite it. A few days later, I got a call from Peter Kellogg's office saying he thought it was a great idea, and he was sending a check. That was terrific news, and I was very pleased.

The first exhibit, held in the Custom House at the foot of Broadway, was a

retrospective beginning with English pieces from the early 18th century, followed by Colonial bonds and currency, Revolutionary War bonds and documents illustrating the 19th and early 20th century American experience up to the Liberty Bond drives of World War I.

About 1,000 people visited that exhibit, and the reaction was positive. When the exhibit closed, several people encouraged me to continue, and so I did. A suggestion was made to create an exhibit on Alexander Hamilton, to open on the bicentennial of his appointment as first Secretary of the Treasury, in September 1989. It was June,



John Herzog speaks at the Museum's opening ceremony at the US Custom House.

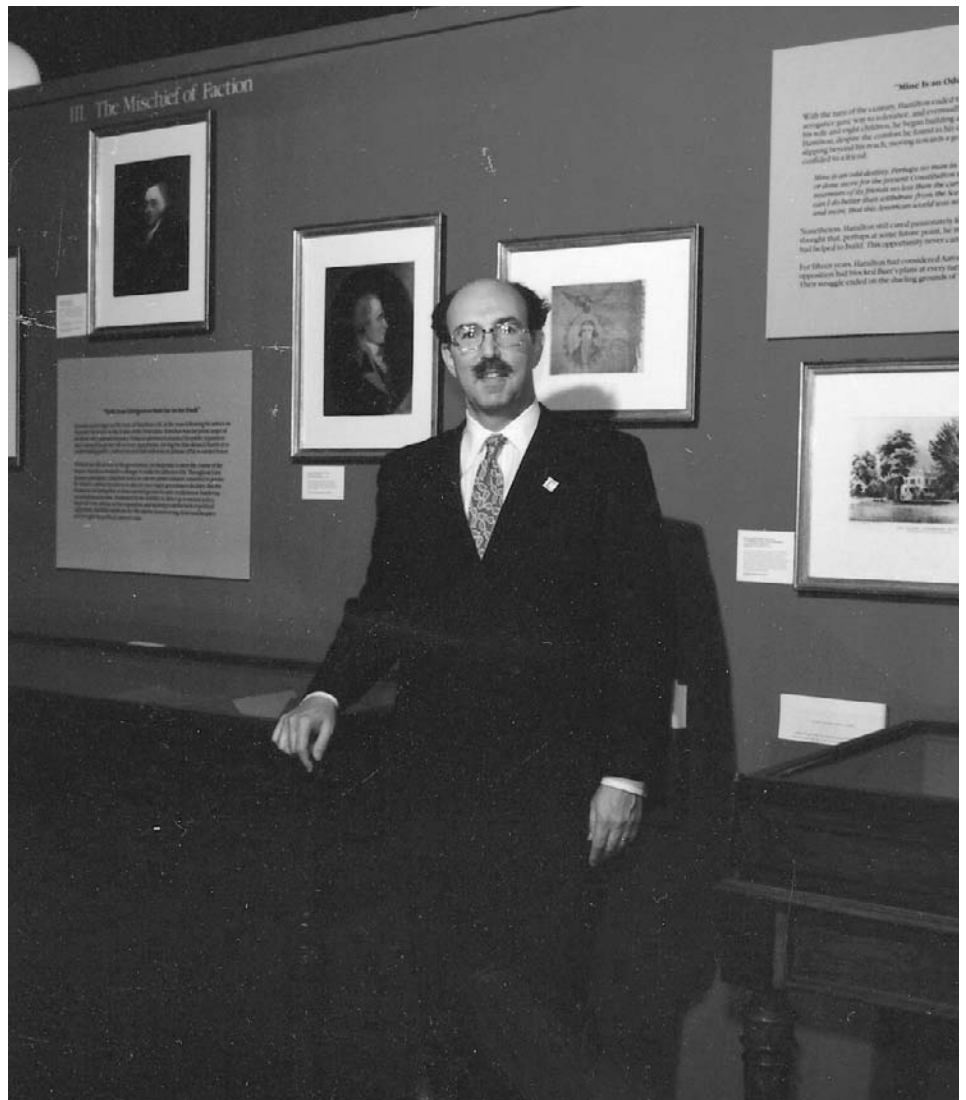
so there wasn't much time to prepare. I had some Hamilton material and started to work on what was the first exhibit in America commemorating Hamilton's contributions to the founding of the nation. I called Joanne Freeman, a doctoral student at the Library of Congress where the Hamilton papers are lodged, and learned that she had designed an exhibit for the US Treasury that had not been exhibited and could be available. When I heard that, I said "Okay, sold." I knew I could rely on her scholarship, and all I had to do was raise the money, about \$50,000.

The exhibit opened on time, with a ceremony featuring some notable speakers and the Fort Hamilton marching band from Brooklyn. About 6,000 people saw it, and the exhibit got favorable press. That was a great feeling, and, encouraged by the momentary success we had achieved, I made the decision to carry on with the project. I applied for tax-exempt status for the Museum, which was granted with a provisional charter that year (the Museum's absolute charter was granted a few years later, by the New York State Board of Regents). I hired an assistant to attend to all the Museum issues, and I continued being the CEO of Herzog Heine Geduld.

As the Museum developed and grew, we realized it needed its own physical space. This was obtained by using a small entry area the trading firm was not using, which was only about 250 square feet. One of the first exhibits in that space was called "America, Money and War," and it told the story of financing the Civil War for the first time. The exhibit was beautifully researched and presented by Douglas Ball, a nationally-recognized numismatist.

At the time, I often acted as a host for visiting Congressional staff members who would take a one-day trip to Wall Street to learn about finance. After our discussions, I would suggest they exit through the Museum gallery. These were banking committee staff members, and they were astounded when they saw the objects in the exhibit. They had no idea where their origins were, and I realized then that a lot of help was needed to give people background in the area of finance, and to bring Americans to a closer understanding of our capital markets—the best in the world by far.

The Museum carried on, mounting exhibits on the railroads, the Erie Canal, John D. Rockefeller and the debt instruments issued by the new states during



Museum founder John Herzog at the "Alexander Hamilton: First Secretary of the Treasury" exhibit, 1989.

the Revolution. We were doing nicely and learning a lot, and then September 11th happened. Ours was the museum closest to Ground Zero. It was a terrible blow, with few visitors for months, and we weren't sure what to do. The Museum organized the first conference for downtown businesses to speak about their plans, but there weren't many optimistic reports. Very slowly, things came back to life, and we persevered.

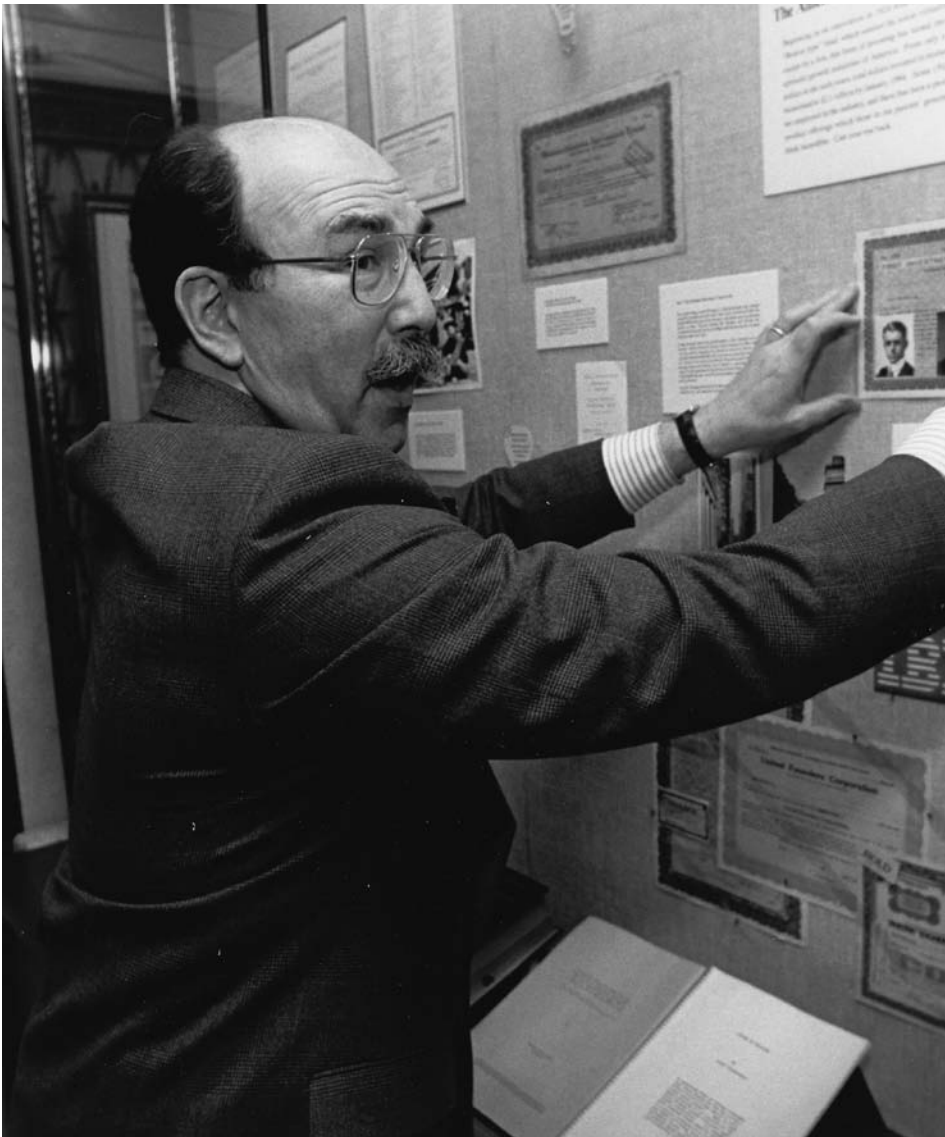
The Board of Trustees realized there was a need for larger and more prominent space, and in 2008 the Museum opened in an ideal location—the former headquarters of the Bank of New York at 48 Wall Street. Founded by Alexander Hamilton and the first bank in the city, the space is beautiful and has splendid murals depicting important moments in the nation's financial history.

The Museum is now approaching its fifth anniversary in the new space, as it opened January 11, 2008, on Hamilton's birthday. In addition to permanent exhibits on the financial markets, money, banking, entrepreneurship and Alexander Hamilton, it offers a timely program of rotating exhibits including "Women of Wall Street," "Scandal: Financial Crime, Chicanery and Corruption that Rocked America" and "Checks & Balances: Presidents and American Finance." The "Tracking the Credit Crisis" exhibit has provided visitors with necessary information on the recent financial crisis, and the accompanying poster set has enabled classroom discussions around the country.

The Museum became a Smithsonian Affiliate early on, and as such is able to borrow objects from their collection. Currently on loan from the Smithsonian's



Reporters cover the Museum's move to 24 Broadway, 1992.



John Herzog works on the "70 Years of American Mutual Funds" exhibit, 1994.

National Museum of Natural History is an 18-karat gold Monopoly set. The opening day events, including a Museum-wide Monopoly contest for middle school students, were covered by more than 65 press outlets. The Museum currently welcomes upwards of 500 school groups each year, and I sometimes tap a student on the shoulder and ask where they are from. The answers: North Dakota; Silver Springs; Honolulu; the South Bronx; Stratford, England and everywhere in between. In addition to its tour programs, the Museum offers 10 classes as part of its Center for Financial Education and last year launched the Museum Finance Academy, a 10-week personal finance certificate program for local high school juniors and seniors.

The Museum also hosts dozens of important events, including the first panel discussion about the intersection of finance and the environment, in partnership with The Sierra Club, as well as talks and symposia featuring such prominent speakers as Paul Volcker, Jack Bogle, David Walker, Duncan Niederauer, Bill Donaldson, Niall Ferguson and Abby Joseph Cohen, to name a few. At the annual gala, the main fundraising event, the Museum honors someone who has made a meaningful contribution in finance as well as public service, presenting the honoree with the John C. Whitehead Award for Distinguished Public Service and Financial Leadership.

After 25 years, which will come along on October 19—the anniversary of the Crash—I will become an *Emeritus* Trustee. I will continue my involvement helping to advise new international finance museums, as other nations realize how very great the benefits of explaining these seemingly arcane finance phenomena can be. For the development of a middle class in nations experiencing democratic capitalism for the first time, it is actually essential, and this realization should work out to some interesting trips for Diana and me.

Seeing the immense satisfaction on people's faces as they begin to understand what the Masters of the Universe take for granted is extremely gratifying, and what I have hoped to accomplish all these years. It has been a terrific ride, and it has been a great privilege for me to tell you this story. \$