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## Remarks by Vice Chairman Roger W. Ferguson, Jr.

*U.S. currency*

**At the unveiling of the new \$10 note design, New York, New York**

**September 28, 2005**

Thank you, Treasurer Cabral. I am very pleased to join Secretary Snow in this unveiling of the newly designed \$10 note. The note is beautifully designed and includes important anti-counterfeiting features.

It is certainly fitting that the unveiling of the new \$10 note take place in New York Harbor. Alexander Hamilton immigrated to New York in 1772 from Nevis, British West Indies, to be educated at King's College--now Columbia University--and pursue a career. However, at that time arriving in this harbor was quite different. The glow of Lady Liberty's torch was not here to greet immigrants until 1886 and Ellis Island was not established as an immigrant point of entry to the United States until 1892.

Hamilton was one of the authors of the Federalist Papers, which were instrumental in persuading the states to ratify the U.S. Constitution. As we will see shortly, this important contribution is recognized in the design of the new note. Hamilton is also considered one of the most influential founding fathers because he was the primary architect of the financial and economic infrastructure of the federal government that we know today. In particular, he was the advocate for a central bank and, as the first Secretary of the Treasury, established the First Bank of the United States, in 1791. Hamilton believed that the roles of the national bank would be to make loans, handle government funds, issue financial notes, and provide a national currency. He said,

"The tendency of a national bank is to increase public and private credit. The former gives power to the state, for the protection of its rights and interests, and the latter facilitates and extends the operations of commerce among individuals. Industry is increased, commodities are multiplied, agriculture and manufacturers flourish, and herein consists the true wealth and prosperity of a state."

The first issuance of paper money by the federal government was authorized by Congress in 1861. Prior to that time, in what is referred to as the free banking era, state bank notes were the chief form of paper currency. Because the currency did not have a uniform design and there was no central control over currency issuance, an estimated one-third of all currency in circulation at that time may have been counterfeit.

Since 1861 the U.S. government has worked continuously to instill confidence in, and maintain the integrity of, our currency. In 1863, Congress passed the National Banking Act which regulated the issuance of notes by national banks. The act also imposed a tax on state-chartered bank notes, a move that essentially eliminated these notes from circulation. Two years later, Congress established the Secret Service to guard against counterfeiting.

In 1913, Congress passed the Federal Reserve Act, which created the Federal Reserve as the nation's central bank, with authority to issue U.S. currency. At that time, the Federal Reserve

and the Department of the Treasury assumed control of the issuance and design of U.S. currency. Since then, the Fed and the Treasury have worked collaboratively to fulfill this joint responsibility. In its role as issuing authority, the Federal Reserve has an obligation to protect the integrity and stability of Federal Reserve notes. The Federal Reserve accomplishes this objective, in part, by working with the Treasury and its Bureau of Engraving and Printing, as well as the Secret Service, to develop design concepts for currency that the Secretary of the Treasury ultimately approves. The newly designed \$10 note is a product of this close and ongoing cooperation. With respect to fighting counterfeiting, however, the job is never finished. In an environment of rapidly changing technology, the Treasury, the Federal Reserve, and the Secret Service must remain alert to emerging threats to U.S. currency and must continue to seek designs for the currency that will address tomorrow's risks.

Until the mid-1980s, nearly all U.S. currency circulated only domestically--and it totaled a small fraction of the amount that circulates today. In just the past twenty years, the amount of U.S. currency in circulation has grown more than 300 percent, to about \$730 billion, and it is now held widely outside the country. As a global currency, Federal Reserve notes must continue to reflect the strength and stability of our economy. A sound currency, which this new \$10 note will help foster, is a critical element in the strength of our economy.

Our hope is a smooth transition for the newly designed currency into daily cash transactions. Keep in mind that you can use both the newly designed \$10 note and all other designs in everyday transactions because the Federal Reserve has never recalled any of the previously released U.S. currency.

The Federal Reserve, along with the other agencies represented here today, is committed to maintaining confidence in and the integrity of our currency. As a nation, we back up that commitment with a first-rate enforcement team. It's my pleasure now to introduce a key member of that team--Ralph Basham, the Director of the U.S. Secret Service.

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