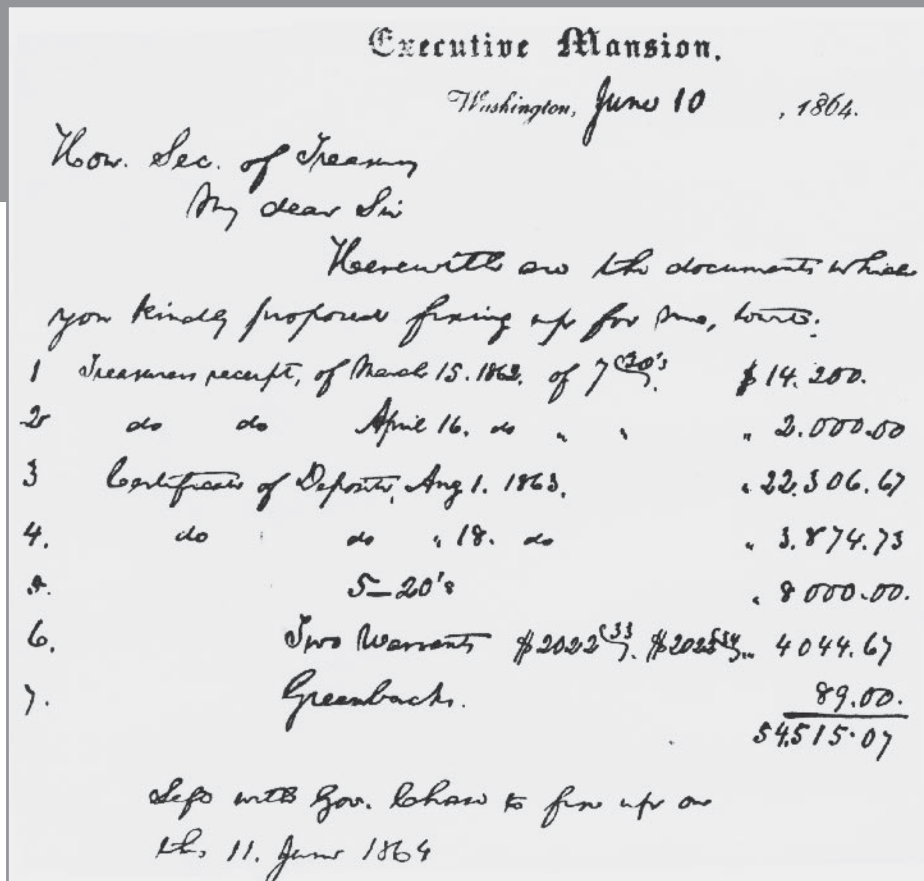
President Abraham Lincoln, Investor

By Franklin Noll



Executive Mansion.
Washington, June 10, 1864.

Hon. Sec. of Treasury
My dear Sir
Herewith are the documents which you kindly proposed fixing up for me, towit:

1	Treasurers receipt, of March 15. 1862. of 7 30's	$14.200.
2	do do April 16. do " "	" 2.000.00
3	Certificate of Deposit, Aug 1. 1863.	" 22.306.67
4.	do do " 18. do	" 3.874.73
5.	5–20's	" 8000.00.
6.	Two Warrants $2022.33. $2022.34	4044.67
7.	Greenbacks.	89.00.
		54515.07

Left with Gov. Chase to fix up on the, 11. June 1864

President Lincoln's memorandum to Salmon P. Chase, listing "the documents which you kindly proposed fixing up for me."

The image of President Abraham Lincoln as the poor rail splitter is a popular one, but not wholly accurate. By the time he entered the White House, Lincoln had built a comfortable, middle-class life for his family by practicing law, investing in real estate and loaning out money at interest. All told, he was worth $15,000 in savings, real estate and investments when elected to the presidency.[1] While in office, Lincoln remained an investor. He invested his money in U.S. government securities, accumulating an extra $60,000 by the time of his death. However, this investment strategy was guided more by patriotism than profits.

Almost all of this money came from investing his presidential salary. Lincoln was paid $25,000 per year, or a little over $2,000 per month. His pay checks were in the form of Treasury warrants, an early form of government check.[2] These warrants tended to accumulate in his desk drawer. On occasion, he would deposit one in a Washington, D.C. bank to meet living expenses, but more often they lay uncashed and collecting dust. In March 1862, Lincoln had seven uncashed warrants among his papers and awoke to the idea of putting them into government securities. He purchased $14,200 in Seven-Thirty Treasury notes and an additional $2,000 worth a month later.[3]

Seven-Thirty notes, authorized by the acts of July 17 and August 5, 1861, got their name from the interest they paid, 7.30%. The three-year notes were marketed as part of a $150 million "National Loan" or the first war bond drive in United States history and were targeted at small investors. The interest rate was set at 7.30% as a selling point, so interest on a $100 note would be two cents per day. But a Seven-Thirty could be bought for as little as $50, paying a penny a day. Because the "National Loan" was not highly successful,[4] many notes were still available for purchase almost a year later when Lincoln bought his.

After his purchase of Seven-Thirty notes Lincoln's salary warrants accumulated in his desk drawer for over a year, when in August 1863 he started buying Temporary Loan certificates totaling $26,181.40.[5] These instruments were actually certificates of deposit with the U.S. Treasury. Authorized by the act of February 25, 1862, they paid 5% interest on the deposit of greenbacks; and, unlike other Treasury securities, they paid interest in paper currency and not gold coin.

Some of the money for Lincoln's Temporary Loan certificates came from the interest earned on his Seven-Thirties. This interest was paid in gold, which Lincoln then sold in the gold market at a premium for greenbacks. This market arose in 1862 after the major banks and the Treasury suspended the payment of gold coin in December 1861. With paper currency no longer convertible into gold, the coin was traded separately and always at a premium to paper greenbacks. At its highest point, gold was selling at 285, meaning $100 in gold was worth $285 in greenbacks. Speculators in this volatile market were popularly viewed as disloyal profiteers because their actions were seen as contributing to wartime inflation.[6]

Six more months and six more salary warrants were accumulated before Lincoln's next investment. This was the purchase of $8,000 in Five-Twenty bonds paying 6% in January 1864.[7] These bonds were part of an effort to raise $500 million in funding for the war effort. Authorized by the act of February 25, 1862, the Five-Twenties got their name from the fact that they matured in 20 years but were redeemable by the government in five years. When first issued, these bonds sold poorly. It was not until the Treasury contracted with banker Jay Cooke as a sales agent that the bonds became popular with the general public. By the time Lincoln purchased his bonds, the fourth and final series of the bonds were being sold.

This relaxed attitude to investing seems rather odd for a savvy investor like Lincoln. Why would he just let his salary warrants gather dust instead of immediately cashing them and putting the money to work? And when he did cash his paychecks, why did he purchase government bonds instead of playing the stock or gold markets? The primary reason for Lincoln's behavior was patriotism. From the start of the war, the U.S. Treasury was short of money and often empty. Banks were not eager to lend money to the government, which had a poor credit rating. This forced the government, under the guidance of Secretary of the Treasury Salmon P. Chase, to start issuing currency and selling notes and bonds. It could be that Lincoln's seemingly lackadaisical attitude to his salary warrants was partly due to his desire to keep as much money in the Treasury as possible. When he did cash his checks, he used the money to buy government securities, which again kept the money in the Treasury. Also, as we have seen, speculating in gold was not seen as a patriotic activity. So, by directing his money into Treasury securities, Lincoln served as a role model to other Northern investors.

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Secretary of the Treasury Salmon P. Chase, 1861–1864.

Another likely reason for Lincoln's approach to his personal finances was that he simply did not have time to deal with such matters. His days and nights were devoted to managing the war and all the other duties of a President. It could be that he only ever invested his paychecks in Treasuries because enough had piled up in his desk drawer to draw his attention.

By the summer of 1864, Lincoln owned a tangled mass of various Treasury securities. However, with the war taking up almost every available minute of his day, the President had little time to sort out his personal finances. So, he asked Secretary Chase to take all his assets and consolidate them to simplify matters. On June 11, 1864, the President collected all his bonds, notes, cash and gold, and walked from the White House to the Treasury Department to Secretary Chase's office. Assistant Secretary of the Treasury Maunsell Field described the scene:

"I happened once to be with the Secretary when the President, without knocking and unannounced, as was his habit, entered the room. His rusty black hat was on the back of his head, and he wore, as was his custom, an old gray shawl across his shoulders… I said good morning to Mr. Lincoln, and then, as was the established etiquette when the President called, withdrew… In less than five minutes I was summoned to return to the Secretary… The President was gone, and there was lying upon one end of Mr. Chase's desk a confused mass of Treasury notes, Demand notes, Seven-thirty notes, and other representatives of value. Mr. Chase told us that this lot of money had just been brought by Mr. Lincoln, who desired to have it converted into bonds."[8]

Along with this "confused mass" of paper and coins was a note listing the items left behind and a request for Chase to "fix up" what was there. Lincoln's inventory consisted of $16,200 in Seven-Thirty notes, $26,181.40 in Temporary Loan certificates, $8,000 in Five-Twenty bonds, $4,044.67 in uncashed Treasury salary warrants, and $89.00 in greenbacks. To this inventory Lincoln added at the last minute a bag of gold coins worth $883.30, resulting in a collection of assets worth $55,398.37.[9]

Assistant Secretary of the Treasury George Harrington was given the responsibility of investing the President's assets. First, he redeemed the Temporary Loan certificates, which paid their interest in paper currency. Altogether, Lincoln received $26,181.40 in principal and $1,150.06 in interest, all of it in greenbacks. Harrington then collected the interest due from Lincoln's Seven-Thirty notes and Five-Twenty bonds in gold coin. At the

Collection of The New-York Historical Society.

Scene outside the New York Stock Exchange following news of the assassination of President Lincoln.

time, the President was due $507.13 in total interest. The Assistant Secretary took this gold as well as that in Lincoln's coin bag and sold it on the market at a premium of 188, resulting in $2,645.24 in currency. Adding to these amounts the two uncashed salary warrants and $89 in greenbacks gave Harrington $34,110.37 in cash to invest.[10]

He took the money to the bond market, using the First National Bank of Washington as his agent. Paying a premium of four percent because he was paying in devalued paper currency, Harrington purchased $32,800 worth of the Loan of 1863. These bonds, authorized by the act of March 3, 1863, paid 6% interest in gold coin and matured in 17 years. Harrington was able to buy an additional $16,200 worth of these bonds through a straight conversion of Lincoln's maturing Seven-Thirties. Thus, in the summer of 1864, President Lincoln's portfolio consisted of $49,000 of the Loan of 1863 and $8,000 in Five-Twenties.[11]

Harrington's last actions before Lincoln's death in April 1865 were to collect the accumulated interest on the President's securities and convert the gold to cash at a premium. With the resulting $2,781.04, Harrington bought a Temporary Loan certificate. During his time as President, Lincoln had created a nest egg worth $59,781.04. He had reinvested all his investment income.

All told, Lincoln invested half of his Presidential income in U.S. government securities. He could have made more profit investing in the stock market or speculating in the price of gold, but maximizing profit was not his goal. Instead, he wanted to put his money to work to insure the future of his family and his nation. FH

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Notes

1. Harry E. Pratt, "Lincoln's Savings from his Salary as President of the United States," *Bulletin of the Abraham Lincoln Association,* 52 (June 1938): 3.
2. Technically, Treasury warrants were written orders by the Secretary of the Treasury (or his authorized representative) to the U.S. Treasurer to pay a third party from funds held by the Treasury. The use of warrants ended when the Treasury's accounting system was reformed by the Dockery Act of July 31, 1894.
3. Pratt, 4.
4. Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War* (Princeton: Princeton University Press, 1970), 109-11.
5. Pratt, 4-5.
6. Davis Rich Dewey, *Financial History of the United States, 8th rev. ed.,* facs. rpt. 1922 (Boston: Elibron Classics, 2003), 2: 295-96.
7. Pratt, 6.
8. Maunsell B. Field, *Memories of Many Men* (New York: Harper, 1874), 283.
9. Pratt, 6.
10. Pratt, 6.
11. Pratt, 7.

The Lincoln Securities

Courtesy of the Bureau of the Public Debt.

Loan of 1863 certificate. One of the actual securities issued to Lincoln in 1864.

Many of the securities purchased for Lincoln in 1864 were produced by the Bureau of Engraving and Printing, and some even bore Lincoln's portrait. Certain denominations of the Loan of 1863 and the Five-Twenty bonds had on them an image of Lincoln engraved by Henry Gugler, one of the BEP's first engravers. Thus, Lincoln owned securities bearing his own picture. The image of Abraham Lincoln appearing on this security stems from a photograph taken by local photographer C.S. German in Springfield, Illinois on January 13, 1861.

Early in 1861, shortly after Lincoln's inauguration, the two large bank note companies had engravings made of the new President's portrait, using German's photograph. One of these was done by engraver Frederick Girsch for the American Bank Note Company and appears on the $10 greenback of the time.

The engraving of Lincoln most often seen on Treasury securities during the Civil War was the work of Henry Gugler. He made an engraving for the National Bank Note Company that first appeared on bonds in late 1861. Gugler joined the Bureau of Engraving and Printing in early 1863, and his engraving was used extensively on government bonds during the war.

The portraits of living government officials are not seen today on United States currency and securities. However, before 1866, it was common for Treasury securities to bear the picture of the current President or another government official. This practice expanded during the Lincoln administration with President Abraham Lincoln and Secretary of the Treasury Salmon P. Chase frequently appearing on government money and bonds. Other Civil War personalities such as General William Sherman and General Ulysses Grant also showed up, including Spencer Clark who was in charge of the organization that would grow into the Bureau of Engraving and Printing.

When Clark's portrait appeared on a five cent fractional currency note in December 1864, Congress decided the practice of putting government officials on United States currency and securities had gone far enough. On April 7, 1866, Congress made it illegal for any living person to appear on government money or bonds of any kind. The law stands to this day, preventing the image of current and recent Presidents from appearing on the nation's currency and coins.