



Chapter A5

by
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2% Consols of 1930

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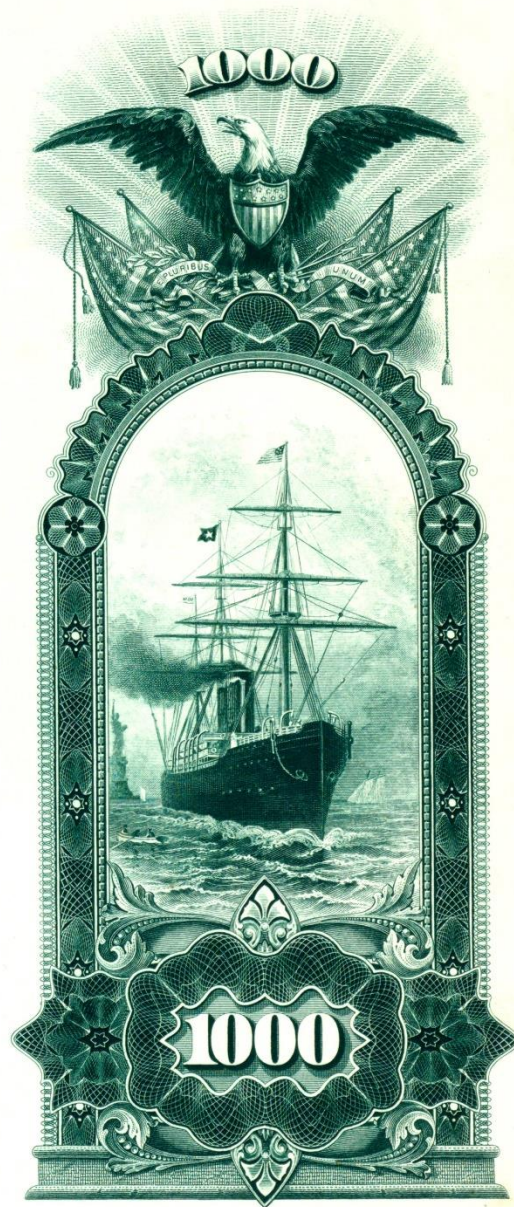
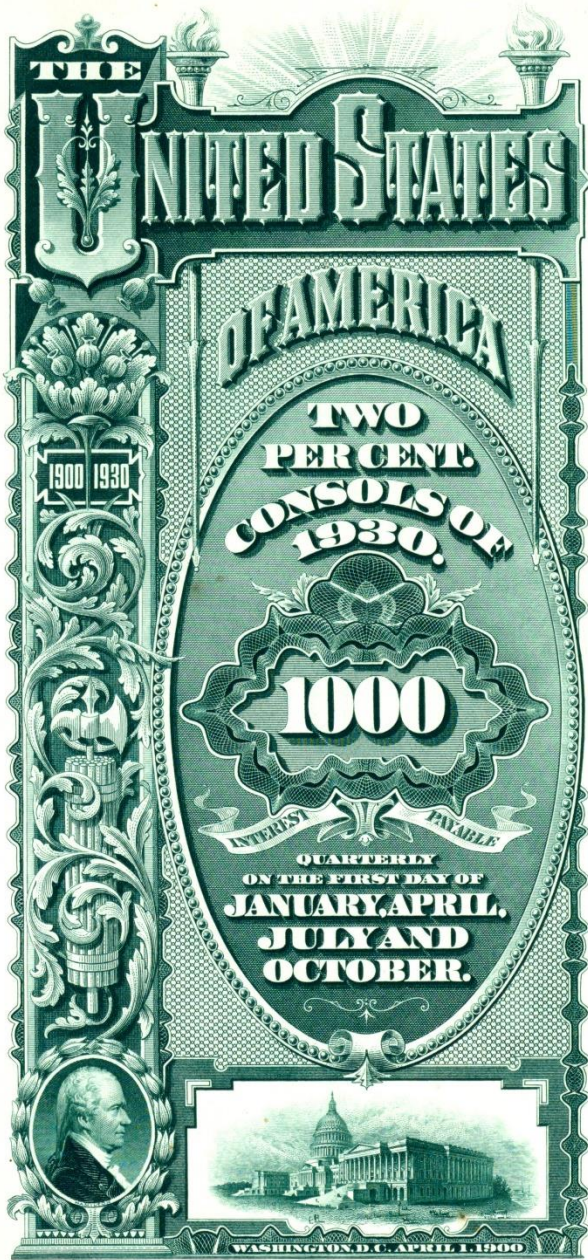


Figure 1. The preceding page and this illustrate the type of backs used on the bearer form of the 2% Consols of 1930. The bond along with its coupons were quarter folded vertically for storage.



Figure 2. The Consols of 1930 came in denominations of \$50, \$100, \$500, \$1000, \$5000, \$10,000 and \$50,000. This is the bearer version of a \$1000 2% Consol of 1930. This type of bond was payable to whomever possessed it and it came with coupons that represented the interest payable on specific dates.

Authorization

Section 11 of The Gold Standard Act of March 14, 1900, the act that placed United States currency on a gold standard, contained a provision that authorized the issuance of a loan to the Treasury in the form of bonds that were called the 2% Consols of 1930.

The word Consol is short for a consolidated government debt issue. In this case, the debt being consolidated by the 2% Consols of 1930 consisted of the redemption and re-funding of three earlier bond issues; namely, 5% bonds payable February 1, 1904, 4% bonds payable July 1, 1907, and 3% bonds payable August 1, 1908. Obviously, the credit of the Treasury and fact that the country was now on a gold standard had improved to the point that the Treasury could borrow at a lower interest rate.

The Consols were the first Treasury bonds authorized by Congress that expressly stated that they and the interest on them was payable in gold, a direct result of the fact that the currency of the country had been placed on a gold standard by the act that authorized them (BPD, Jan 14, 1933). This provision was nullified by President Franklin D. Roosevelt's gold confiscation order of April 5, 1933 and subsequent passage of the Gold Reserve Act of 1934, which took the United States off the gold standard. Thereafter, the bonds and interest were payable in legal tender.

The bonds were payable at the pleasure of the United States after 30 years from their April 1, 1900 date of issue. These bonds, as with all other Treasury bonds issued up to that date, carried the circulation privilege. This meant that national bankers could buy and deposit them with the U.S. Treasurer to secure their national bank note circulations. Thus, they became the dominant security for national bank note issues during the remainder of the note-issuing era.

The Consols were called for redemption on July 1, 1935 by the Treasury. That call represented the single greatest stroke on the part of the Treasury to kill off national bank currency as Treasury in 1935 called the bonds that could be used by bankers to secure their circulations or the circulation privilege expired by limitation on the remainder.

Use

The Consols could be purchased by anyone or any institution. The registered form of the Consols

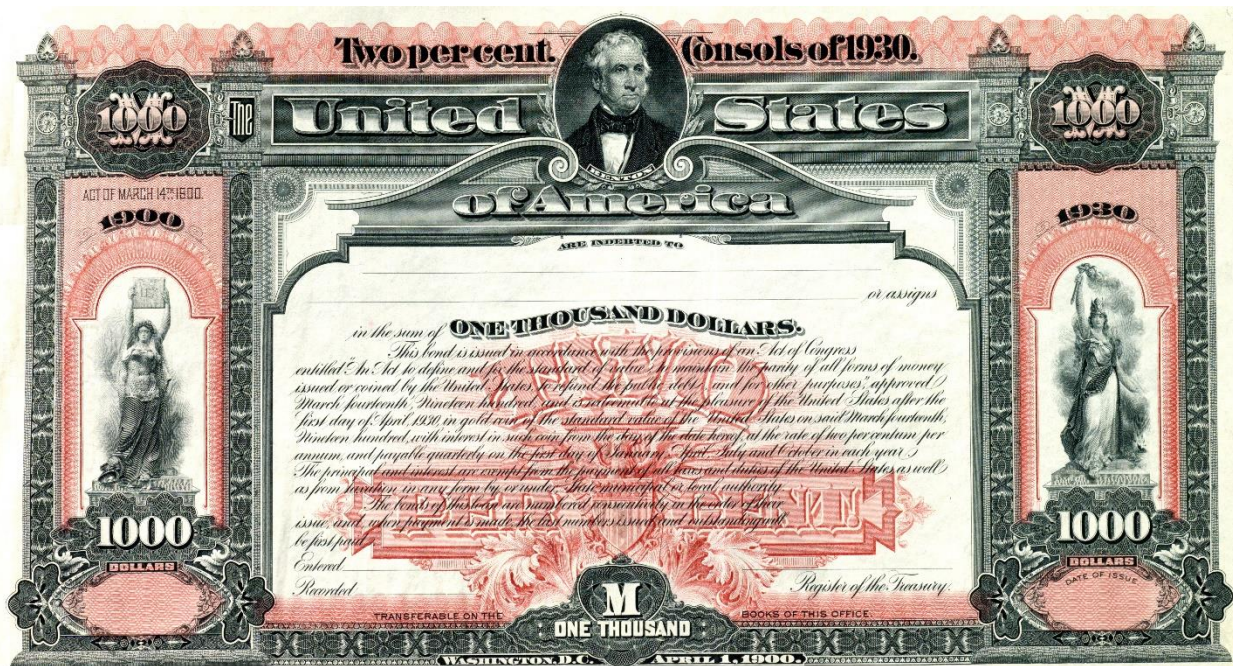


Figure 3. This is the registered version of a \$1000 2% Consol of 1930 where the ownership by an individual or institution was registered with the U.S. Treasurer. Registered Consols did not come with coupons. Interest was mailed by check to the owner or agent when due. The Treasury seal was overprinted above the Register of the Treasury's signature over some of the text. This is the type of Consols that bankers deposited with the U.S. Treasurer to secure their national bank note circulations.

(Figure 3) was the most widely used and was the type that bankers deposited with the U.S. Treasurer to secure their circulations. The coupon/bearer variety (Figure 2) found limited use in the public sphere where quick liquidity on the part of the owners was desirable. On August 31, 1929, only 630 bearer Consols were outstanding having a face value of \$344,850 (BPD, Nov 21, 1929-a). Otherwise, the registered variety was preferred by most individual and institutional investors.

The Consols became the dominant security used by national bankers to secure their circulations after they became available in 1900. On February 28, 1935, \$599,724,050 worth of them were outstanding, of which \$480,506,250 were used to secure national bank circulations. Those used to secure circulations represented slightly over 80% of the total. The total national bank circulation at the time was \$657,937,080 so the Consols represented backing for 73 percent of that circulation (BPD, Apr 1935).

The Consols were redeemable at the pleasure of the United States after April 1 1930; however, Treasury allowed them to run until finally being called for redemption on July 1, 1935, at which time interest ceased to be paid. This created an interesting situation for holders of the bearer/coupon variety because there were no coupons left after the one payable April 1, 1930. The remedy in 1930 was to allow holders to exchange them for the registered variety, after which the interest was paid by check as it came due (BPD, Nov 21, 1929-b).

Designs and Aesthetics

It is doubtful that any other bond issue of the U.S. Treasury surpasses the aesthetics of the 2% Consols of 1930.

The coats-of-arms for the existing 45 states current at the time are represented on the backs of both varieties of the bonds. Territorial seals for the then current territories of Alaska, Arizona, New Mexico and Oklahoma are not present. Entire images of the seals for Texas (top), Nebraska (left center), Wyoming (right center), Washington (bottom), and Delaware (top of shield) are present on the backs of the bearer bonds whereas only the Washington seal is complete on the backs of the registered variety.

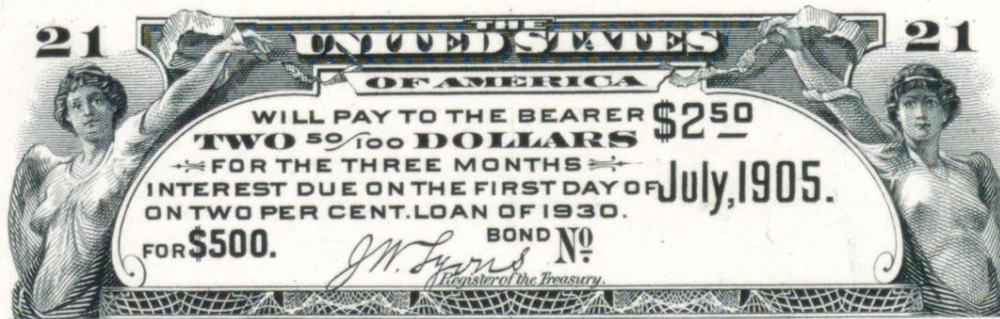


Figure 4. This is a typical quarterly coupon (enlarged) that accompanied a \$500 Consol of 1930. The coupons came in sheets of 39, 40 and 40, respectively dated October 1, 1900-April 1, 1910, July 1, 1910-April 1, 1920, and July 1, 1920-April 1, 1930, that were bound along with a bearer bond (Figure 2). The owner clipped the coupons as they came due for submission through a bank or agent for payment.

The ship on the right side of the backs of the bearer variety symbolizes that the United States had arrived as a serious maritime player having recently entered the ranks of the colonial nations following its victory over Spain in the Spanish-American War of 1898. That war yielded for the United States the possessions of Puerto Rico, Cuba, Guam and the Philippines.

Packaging

The bearer/coupon variety of the 2% consols consisted of a package that included the bond (Figure 2) and three sheets of coupons, each representing a decade's worth. The coupons were stacked on top of the bond with the earliest on top, then bound on the left edge. This package could then be turned over to reveal the back of the bond (Figure 1), which then could be quarter folded vertically so that the shield was folded inward, the ship faced down and the label faced up for easy filing. When unfolded, the coupons faced up so the holder readily could see if any were due.

In contrast, the registered variety of the Consols was a standalone item with the bond on the face (Figure 3) and back consisting of the ownership transfer form illustrated on Figure 5.

Acknowledgment

Rick Hickman owns a \$100 registered example that allowed for verification of the layout of that type of bond.

Sources

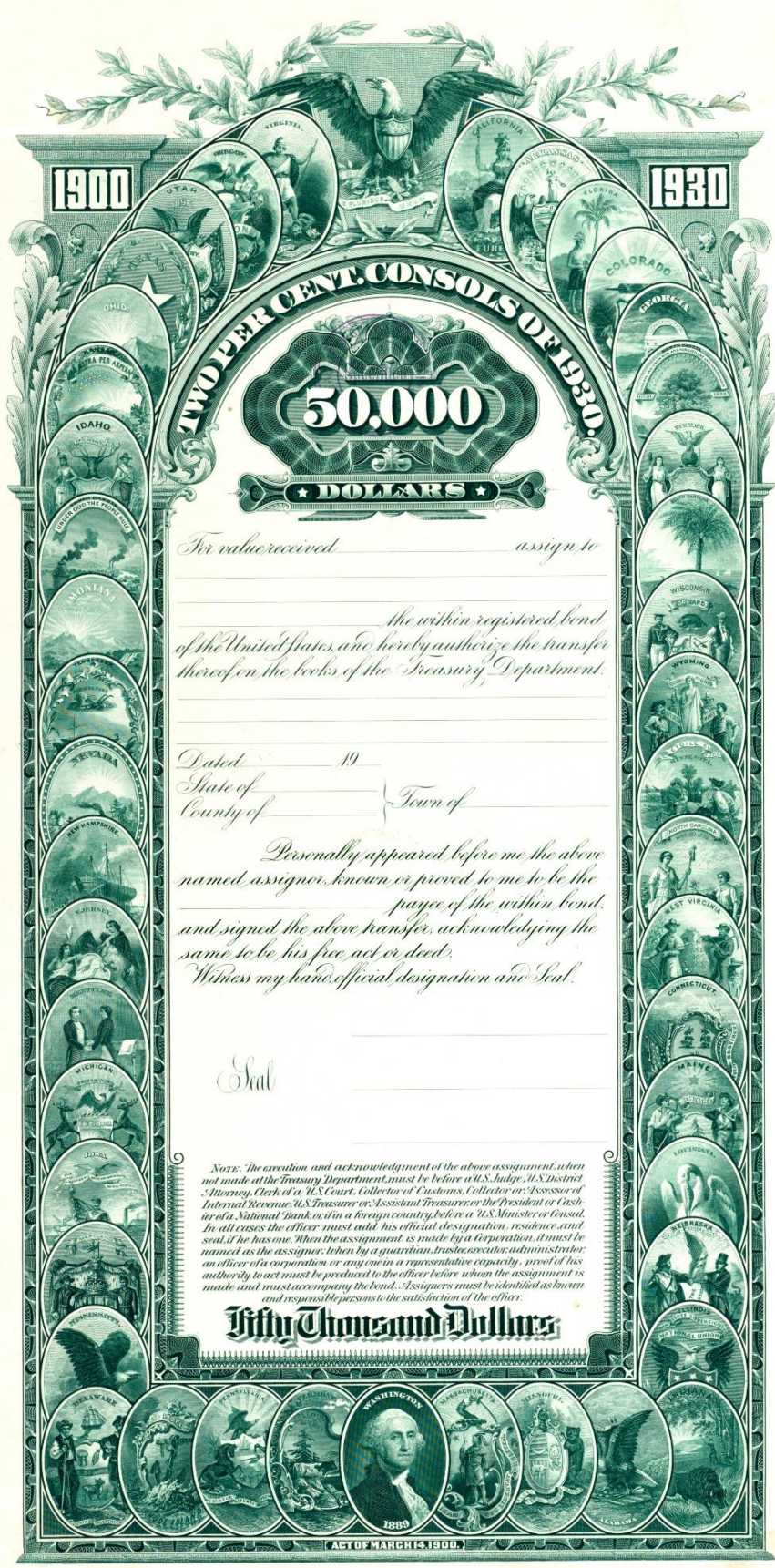
Photos are of Bureau of Engraving and Printing certified proofs in the National Numismatic Collection, Smithsonian Institution, Washington, DC. The Treasury seal and bond serial numbers are omitted from the faces of the bonds illustrated on Figures 2 and 3.

Bureau of the Public Debt, Loans, subject files 1917-1980: Record Group 53, UD UP 8 boxes 1-6 & UD UP 9 boxes 4-10 (450/53/35/06); specifically,

- Memorandum dated November 21, 1929-a from William S. Broughton, Commissioner of the Public Debt, to Ogden Mills, Secretary of the Treasury, with a statement of bearer 2% Consols of 1930 outstanding on August 31, 1929: Redemption Official, File 380, Box 3.
- Draft dated November 21, 1929-b of a Treasury Circular to be signed by Secretary of the Treasury Andrew W. Mellon advising holders of bearer 2% Consols of 1930 to exchange them for registered Consols after they used the last coupon attached to them: Redemption Official, File 380, Box 3.
- Note dated January 14, 1933 by William S. Broughton, Commissioner of the Public Debt, advising that Hon. G.H. Cross had been notified by letter that the 2% Consols of 1930 were the first Treasury bonds that expressly stated that they and their interest were payable in gold: Redemption Official, File 380, Box 3.

Federal Reserve Bulletin, April 1935, Table listing U.S. Government bonds bearing the circulation privilege on February 28, 1935: Federal Reserve Board of Governors, Washington, DC, p. 203.

United States Statutes, Act of March 14, 1900, An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes: U.S. Government Printing Office, Washington, DC.



1900

1930

TWO PER CENT CONSOLS OF 1930

50,000

DOLLARS

For value received _____ assign to _____
the within registered bond
of the United States, and hereby authorize the transfer
thereof on the books of the Treasury Department.

Dated _____ 19____
State of _____ Town of _____
County of _____

Personally appeared before me the above
named assignor, known or proved to me to be the
payee of the within bond,
and signed the above transfer, acknowledging the
same to be his free act or deed.
Witness my hand, official designation and Seal.

Seal

Note: The execution and acknowledgment of the above assignment when not made at the Treasury Department must be before a U.S. Judge, U.S. District Attorney, Clerk of a U.S. Court, Collector of Customs, Collector or Assessor of Internal Revenue, U.S. Treasurer or Assistant Treasurer, or the President or Cashier of a National Bank, or in a foreign country, before a U.S. Minister or Consul. In all cases the officer must add his official designation, residence, and seat, if he has one. When the assignment is made by a corporation, it must be named as the assignor; when by a guardian, trustee, executor, administrator, an officer of a corporation or any one in a representative capacity, proof of his authority to act must be produced to the officer before whom the assignment is made and must accompany the bond. Assignors must be identified as known and responsible persons to the satisfaction of the officer.

Fifty Thousand Dollars

ACT OF MARCH 14, 1900.

Figure 5 on the preceding page is an owner transfer form printed on the backs of the registered variety of the 2% Consols of 1930 for use when the bond was sold or redeemed. They sported various colors, in some cases more than one color for the same denomination over time.

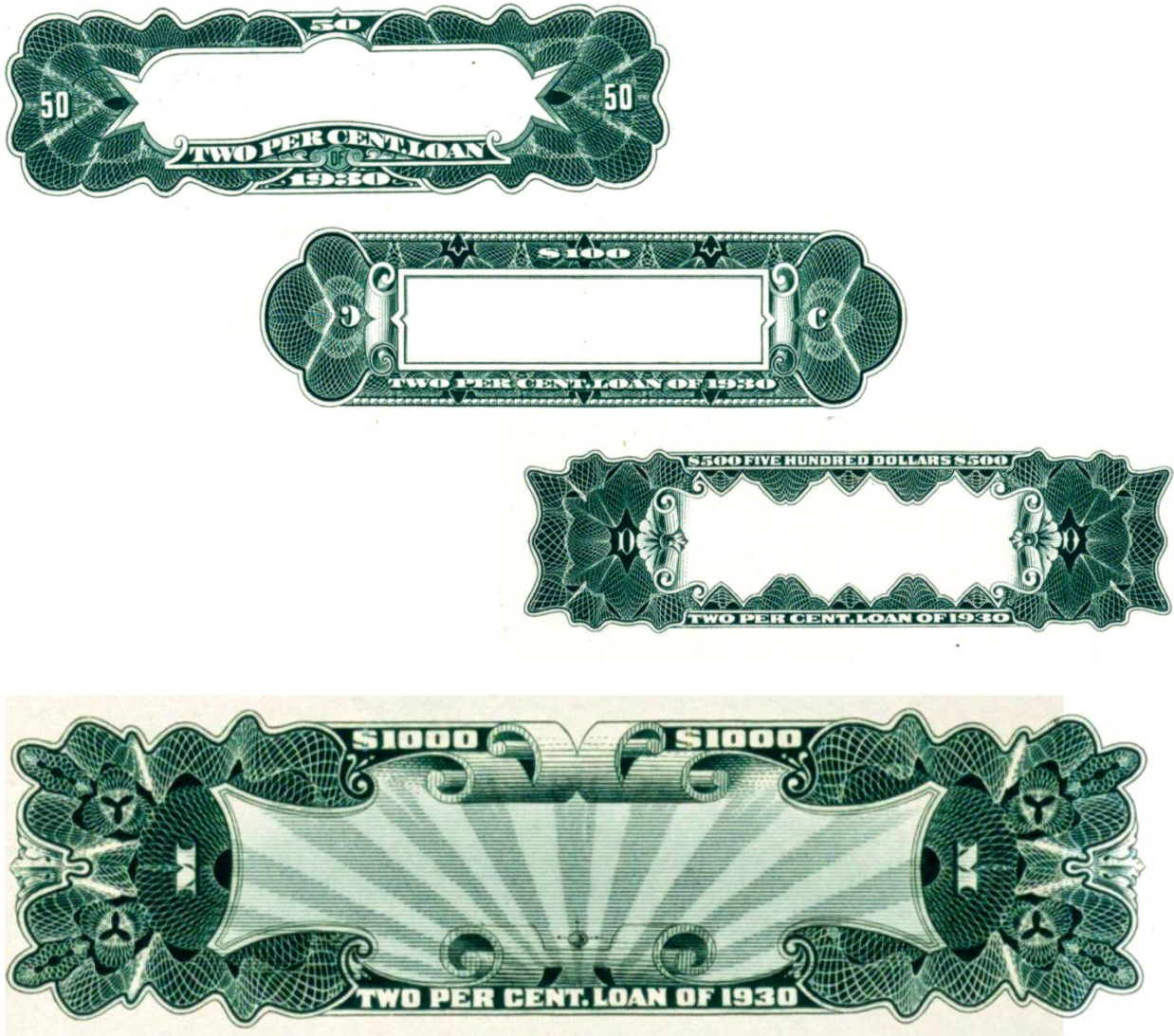


Figure 6. Examples of the backs of the coupons used for bearer 2% Consols of 1930. There was a different design for each denomination. The \$1000 back includes the colored tint underlay

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