Chapter A6
by
Lee Lofthus

The End of National Bank Notes

Treasury's Thomas Jefferson Coolidge III and the Call of the Last Circulation Bonds

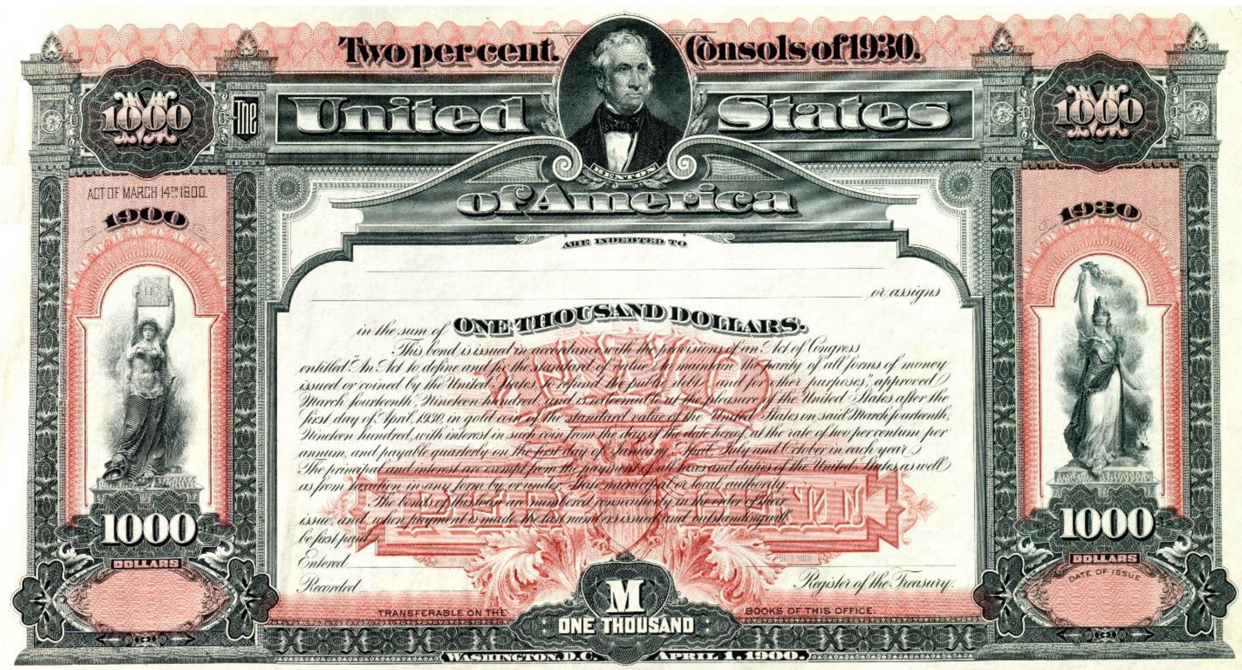


Figure 1. Illustrated is a Bureau of Engraving and Printing proof of a $1,000 2 percent Consol of 1930 registered bond of the type that backed 73% of the nationals in circulation as of February 28, 1935. The Panama Canal 2 percent bonds of 1916-36 and 1918-38 backed 6%. The remaining 21% of national bank note circulation was backed by Treasury bonds granted a temporary circulation privilege by Congress under the Federal Home Loan Bank (FHLB) Act. Treasury's March 11, 1935 call for redemption of the Consols and Panama Canal circulation bonds, as of July 1 and August 1, respectively, combined with the statutory expiration of the circulation privilege on the FHLB bonds as of July 22, 1935, ended the national bank note era. Smithsonian Institution photograph.

Christmas Eve, 1934. Thomas Jefferson Coolidge III, Undersecretary of the Treasury, the No. 2 official at the Department, was working. He drafted a memorandum for the Secretary titled "Currency." In that memorandum, Coolidge proposed a strategy for ending the circulation of national bank notes.

Just 75 days later, on March 9, 1935, Secretary of the Treasury Henry Morgenthau Jr. issued a press release saying the circulation bonds that backed national bank notes would be called for redemption. This was the end for nationals. By August 1st it was all over except scavenging the outstanding notes from circulation and destroying them.

Numismatists have long understood that nationals ended when the circulation bonds backing the notes were called, but there was no requirement that national bank issuances end when they did. They could have been issued for years, even decades longer. But Coolidge, the scion of one of the American Revolution's founding fathers, had a mandate from Morgenthau to revamp Treasury financing operations, and Coolidge soon turned his sights on the bonds backing national bank notes. This article will examine the men and motivation behind the end of national bank notes.

January 1934

The events that led to the March 1935 call for the redemption of the circulation bonds began 15 months earlier. These were heady times at Treasury. After a tulmultuous economic year in 1933, a year that witnessed wholesale runs on the nations banks, endured Roosevelt's bank holiday, passage of the Emergency Banking Act to salvage the emplosion of the banking system, and removal of the country from the gold standard, New Year's Day 1934 began another momentus year.

On January 1st, Henry Morgenthau Jr. was sworn-in as Secretary of the Treasury,[1] replacing William H. Woodin. Woodin, diagnosed with terminal cancer, resigned on December 31. Morgenthau had initially joined Treasury on November 17, 1933, as Undersecretary, the department's No. 2 official, and was immediately named Acting Secretary while Woodin took a leave of absence. Roosevelt quickly nominated Morgenthau to be permanent secretary.

Figures 2 and 3. Roosevelt's potent one-two punch at Treasury: Secretary of the Treasury Henry Morgenthau Jr, left, and Undersecretary of the Treasury Thomas Jefferson Coolidge III, right. Morgenthau was Roosevelt's Hyde Park neighbor, friend and confidante. Coolidge was a Boston banker who was given broad authority to manage Treasury financing and investment programs by Morgenthau. Library of Congress photo, right, International News Photo, left.

Morgethau’s first month was consumed with pressing Congress to pass what became the Gold Reserve Act of 1934. Morgenthau and Treasury General Counsel Herman Oliphant joined Roosevelt and other dignitaries in the Oval Office on January 30 as Roosevelt signed that monumental legislation into law.[2]

The full title of the bill was “An Act to protect the currency of the United States, to provide for the better use of the monetary gold stock of the United States, and for other purposes.”[3] Among many provisions, the bill transferred owership of all monetary gold in the United States to the Treasury, made Federal Reserve notes redeemable in lawful money instead of gold, and established a stabiliziation fund of $2 billion, made possible by the profit to the Treasury from increasing the price of gold.[4]

The stablilization fund would be used to stimulate the economy and combat the drain of Treasury gold caused by disadvantageous foreign exchange rates. And, as events would later unfold, T. J. Coolidge would propose that a portion of the fund be used to retire national bank notes.[5]

Morgenthau and Roosevelt

Morgenthau’s advantage as Treasury Secretary was his close friendship and access to Roosevelt, often seeing him as many as four times a week.[6] He was a longtime neighbor of Roosevelt in Hyde Park and held critical positions in Roosevelt’s campaigns for governor of New

Figure 4. President Roosevelt inscribed this photograph to his friend and Hyde Park neighbor Henry Morgenthau Jr. saying “For Henry, from one of two of a kind. Franklin Roosevelt.” Roosevelt’s backing enabled Morgenthau to take increasingly bold steps at Treasury to combat the Great Depression. This photograph was taken at Roosevelt’s retreat at Warm Springs, Georgia. National Archives photograph.

York and then president. Before Morgenthau went to Treasury, Roosevelt had originally appointed him head of the Farm Credit Administration.

Monetarily conservative, Morgenthau favored a balanced budget[7] and keeping interest rates low to stimulate the economy. But like Roosevelt, he recognized that innovation, not bankrupt dogma, was necessary to break the stranglehold of the Depression.

Morgenthau filled a crucial void. The Federal Reserve was stuck in a Hoover-era mindset of worrying about inflation. Economist Allan Meltzer observed "The Federal Reserve did next to nothing to foster the nation's economic recovery," adding "Congress and Treasury made the most important decisions about gold, silver, and banking legislation.[8] The [stabilization] fund gave Treasury a strong hand * * * and it used its power. The Treasury remained the dominant partner for the next fifteen years."[9]

While Morgenthau played an exceptionally large role in New Deal programs, he ensured he had Roosevelt's buy-in prior to implementation,[10] either informally or, as in the case of the Gold Reserve Act[11] and much of the silver legislation, formal approval.[12]

Morgenthau Assembles his Treasury Team

A farmer by profession, Morgenthau was not a banker or economist. Upon Morgenthau becoming Secretary, one of his sisters told her son "I can't understand why the President appointed your uncle Henry * * * He knows that Henry knows nothing about finance."[13]

But Morgenthau's son, Henry III, described why Roosevelt so highly valued his father: "absolute loyalty with an uncanny ability to get things done, sometimes in extremely unorthodox ways, using aides who were themselves idiosyncratic in their approach to problems."[14] According to his biographer Herbert Levy, "Morgenthau had an astonishing ability to choose extremely competent assistants."[15]

Figure 5. Renowned University of Chicago economist Jacob Viner joined Morgenthau's Treasury team as an advisor during 1934. Viner endorsed Coolidge's proposals to simplify the currency system and end the nationals. Acme News Pictures, Chicago.

Morgenthau brought on renowned economist Jacob Viner of the University of Chicago as a special assistant in the Office of the Secretary. Born in Canada, Viner moved to the U.S., earned a Ph.D. from Harvard, taught at the University of Chicago from 1925 to 1946, and later at Princeton. He was a proponent of deficit spending and inflating the currency as a means to combat the Depression.[16]

Onboard for a brief stay before heading to the Federal Reserve Board was Marriner S. Eccles, an Ogden, Utah banker.[17] Eccles was a fervent supporter of New Deal policies, but clashed with Morgenthau. According to a later interview with economist Viner, "The two men grated on each other."[18]

Herman Oliphant, Treasury's General Counsel, came from the University of Chicago law school and was seen as an "economic experimenter."[19] The economic and monetary machinations of the New Deal Treasury required significant legal analyses and drafting of new regulations, putting Oliphant in a more visible and influential role than typical agency counsels.


Figure 6. Herman Oliphant, Treasury General Counsel. Oliphant was a close advisor to both Morgenthau and Coolidge, and often accompanied Morgenthau on visits to Capitol Hill to discuss banking legislation. Wide World Photos.

Herman Oliphant, Treasury's General Counsel, came from the University of Chicago law school and was seen as an "economic experimenter."[20] The economic and monetary machinations of the New Deal Treasury required significant legal analyses and drafting of new regulations, putting Oliphant in a more visible and influential role than typical agency counsels.

The newcomers relied heavily on William S. Broughton, Commissioner of the Public Debt Service. Broughton was a seasoned Treasury stalwart, deeply versed in bond issues and currency operations, including national bank notes. [21]

Morgenthau and his senior aides became so omnipresent in setting New Deal policies that in the diaries of Federal Reserve Board member Charles Sumner Hamlin, they were collectively referred to as "the Treasury boys," [22] a label also used by Eccles, Comptroller of the Currency J.F.T. O'Connor, and even the press.[23]

T. J. Coolidge III

In April 1934, Morgenthau appointed Thomas Jefferson Coolidge III as special assistant in the Office of the Secretary.[24] This was an expedited method of bringing Coolidge onboard.

Morgenthau's actual intention was to have Coolidge appointed to fill the No. 2 post of Undersecretary, vacated when Dean Acheson resigned after clashing with Roosevelt over the gold confiscation policies.[25] Once Roosevelt was comfortable with the appointment, he formally sent the nomination to the Senate and Coolidge was quickly confirmed. On May 2, 1934, Coolidge was sworn in as the Department's No. 2 official.[26]

Time Magazine's May 7, 1934 issue reported that Coolidge was the type of man Roosevelt was looking for, "a fiscal advisor who satisfied him and who had no financial connections that were politically objectionable."[27] Coolidge went to Harvard and then Harvard Law School, and from there went into banking.[28] One of his undergraduate professors called Coolidge one of the best mathematics scholars he ever taught.[29]


Figure 7. William S. Broughton, Commissioner of the Public Debt, began his Treasury career in 1910 in the Division of Loans and Currency. Department of the Treasury photo.

Coolidge's father had founded the Old Colony Trust Co. in Boston, and Coolidge III followed in his banking footsteps, becoming vice president of the First National Bank of Boston.[30] Coolidge's fancy name was authentic. His great-great-great grandfather was Thomas Jefferson, the country's third president.[31]

Figure 8. T. J. Coolidge III is sworn in as Undersecretary of the Treasury, May 2, 1934, as Secretary Henry Morgenthau Jr., at left, looks on. In addition to developing sweeping refinancing plans for Treasury's bond portfolio, Coolidge had early exposure to Treasury's currency programs, working with Public Debt Commissioner Broughton to implement the new and expanded Series of 1934 silver certificate program. Coolidge would soon turn his attention to national bank notes. International News Photo.

Coolidge's appointment raised eyebrows at the Federal Reserve. Board member Eugene Black described Coolidge as an "extreme conservative" and said that "sooner or later Morgenthau would sour on [him].”[32] Marriner Eccles characterized Coolidge as a “hard boiled banker whose only wish was to do what the bankers wanted.”[33] Hamlin noted in his diary that a senator told him Coolidge was “put in the Treasury by First National Bank of Boston to act as its watch dog and dominate Treasury policies.”[34]

Morgenthau formally defined Coolidge’s authority as his Special Assistant in an internal Treasury Department order dated April 3, 1934, as follows.[35]

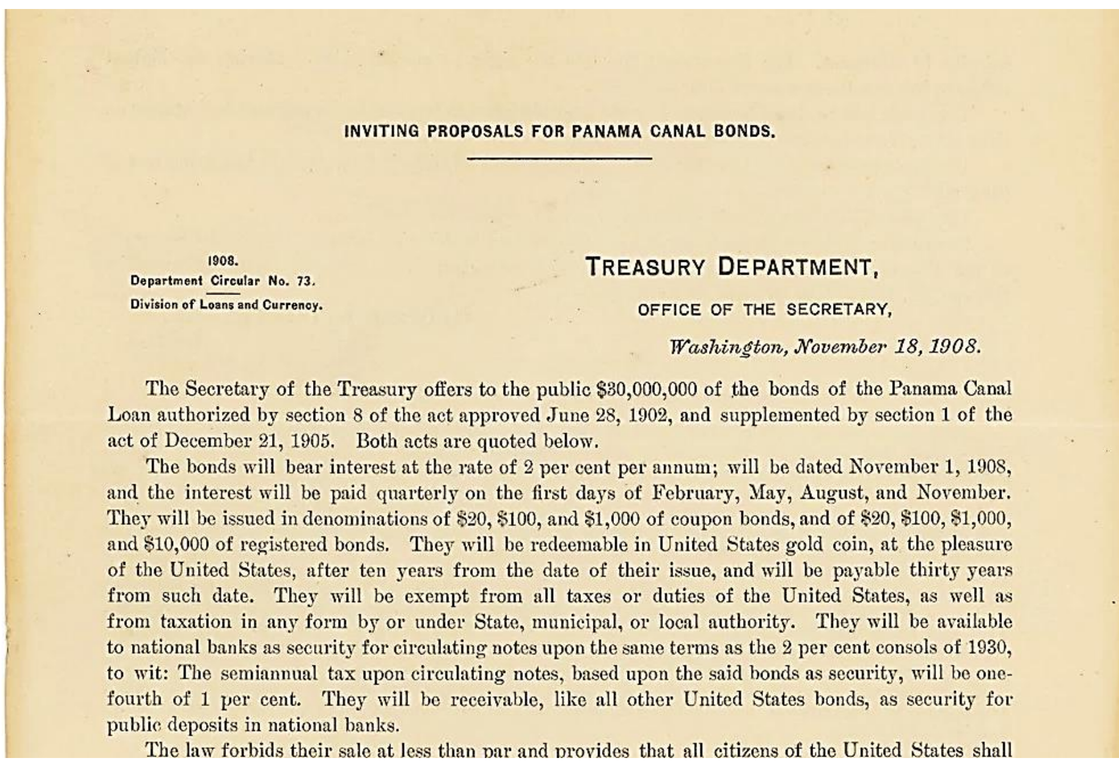
ORDER OF THE SECRETARY OF THE TREASURY

> Treasury financing, investment of Government funds, and other matters relating directly or indirectly to financing operations are hereby assigned to the supervision of T. J. Coolidge, Special Assistant to the Secretary.

Coolidge became a major player in Treasury monetary policy, and he worked directly with the Federal Reserve Board and the Open Market Committee, frequently attending the Federal Reserve board meetings where he discussed public debt refinancing plans. Notably absent, however, from the Federal Reserve meeting minutes in 1934 and 1935 are discussions about calling the circulation bonds that backed national bank notes.[36]

Throughout 1934, Coolidge crafted plans to lower government borrowing costs by calling the higher interest bonds. The interest savings would help fund other New Deal recovery programs. Coolidge was successful. By June 30, 1935, Treasury saved over $93 million in annual interest costs despite an increase of over $1 billion in new debt.[37]

As Coolidge pursued public debt restructuring, his attention was drawn to legal tender currency, which was circulating debt, and national currency, which was founded on it. Of particular interest were the circulation bonds that backed national currency.



INVITING PROPOSALS FOR PANAMA CANAL BONDS.

1908.
Department Circular No. 73.
Division of Loans and Currency.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 18, 1908.

The Secretary of the Treasury offers to the public $30,000,000 of the bonds of the Panama Canal Loan authorized by section 8 of the act approved June 28, 1902, and supplemented by section 1 of the act of December 21, 1905. Both acts are quoted below.

The bonds will bear interest at the rate of 2 per cent per annum; will be dated November 1, 1908, and the interest will be paid quarterly on the first days of February, May, August, and November. They will be issued in denominations of $20, $100, and $1,000 of coupon bonds, and of $20, $100, $1,000, and $10,000 of registered bonds. They will be redeemable in United States gold coin, at the pleasure of the United States, after ten years from the date of their issue, and will be payable thirty years from such date. They will be exempt from all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority. They will be available to national banks as security for circulating notes upon the same terms as the 2 per cent consols of 1930, to wit: The semiannual tax upon circulating notes, based upon the said bonds as security, will be one-fourth of 1 per cent. They will be receivable, like all other United States bonds, as security for public deposits in national banks.

The law forbids their sale at less than par and provides that all citizens of the United States shall

Figure 9. Excerpt from a 1908 Treasury Department circular offering 2 per cent Panama Canal Bonds. Although the face of the bonds did not say they carried the circulation privilege, their interest terms made them eligible. The third to the last sentence in the circular states the bonds “will be available to national banks as security for circulating notes upon the same terms as the 2 per cent consols of 1930.” Herbstman Memorial Collection of American Finance photo.

The Circulation Privilege

In order to receive national bank notes, bankers were required to purchase government bonds and deposit them with the Treasurer. Not just any government bonds, only bonds that had been accorded the "circulation privilege" by Congress.[38] See **Figure 9**. Bankers bought the Treasury bonds and received national bank notes equal to the par value of the bonds.

In early 1911, to prevent what it feared would be an uncontrolled expansion of inflationary national currency as bond issues grew, Congress began statutorily denying new bond programs from enjoying the circulation privilege.[39] See **Figure 10**. Coolidge saw opportunity to go further.

December 24, 1934

On Christmas Eve, Coolidge drafted this memorandum for Morgenthau's consideration:[40]

December 24, 1934

Memorandum re: Currency.

I am of the opinion that a great step forward in our banking system would be achieved if we could do away with the forms of paper currency now outstanding. These consist of two:

United States Notes amounting to ……………	$346,000,000
National Bank notes amounting to ……………	$674,000,000
Total ………………………………………………..	$1,020,000,000

* * *

Should this currency be retired it would automatically be replaced by Federal Reserve Notes and it would be appropriate to give the Federal Reserve banks gold certificates to the amount of the retired Notes as their earning assets would by this method be unchanged.

I am, therefore, suggesting * * * that the circulation bonds be called and retired by the Treasury, the Treasury obtaining its funds by the sale to the Stabilization Fund of an appropriate note.

I recognize that the profit in the gold devaluation should only be used for a very special purpose. It seems that the retirement of this paper should be such a purpose, all of which represents retirement of national debt. There can, I believe, be no good argument put up as to the need under present conditions of this paper currency, although such was advisable when our gold reserves were insufficient for our needs and when we had no Federal Reserve Bank system to give elasticity to our currency.

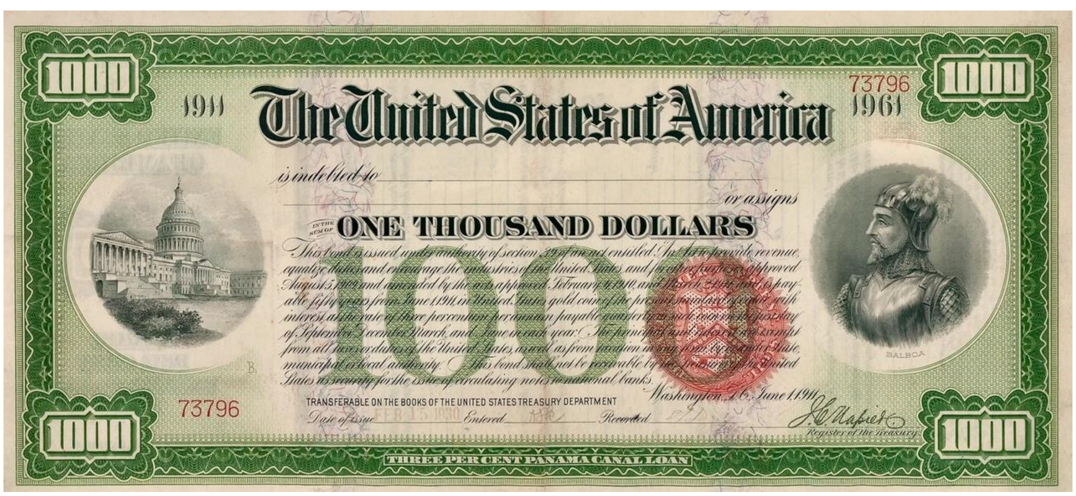


Figure 10. This 3 percent Panama Canal Bond of 1911 is an issue that was ineligible to back national bank notes. Congress, fearing over-expansion of national bank notes, began to prohibit new bond issues from carrying the circulation privilege. The last line of the terms on the face states "This bond shall not be receivable by the Treasury of the United States as security for the issue of circulating notes to national banks." Herbstman Memorial Collection of American Finance photo.

Earlier Efforts to Eliminate Nationals

The desire to get rid of nationals did not originate with Coolidge. Politicians, economists and others had advocated for an end of national bank notes for years. Periodic suggestions to eliminate them appeared in the financial press.[41] Inside Treasury, the dislike of national currency was so pervasive, the wonder is not that national bank notes were killed off in 1935, it was why did it take so long?

The Panics of 1893 and 1907 laid bare the inherent weaknesses of national bank currency. It was inelastic; that is, it was unresponsive to the needs and cycles of business and commerce. When the economy needed an infusion of cash, the moribund nationals, rigidly fixed in volume by the capitalization of the national banks, could not respond.

Attempts to add elasticity to national currency took the form of the 1907 Aldrich-Vreeland Act that provided for the temporary deposit of securities other than circulation bonds and 1932 Federal Home Loan Bank legislation that granted a 3-year circulation privilege to higher interest Treasury bonds in order to encourage bankers to subscribe for more national bank notes. Both were temporary fixes targeting specific transient economic ills, and both required specific Congressional intervention. Neither was the nimble fare of a true elastic currency.

In 1912, Congress considered House bill H.R. 26115, a move to issue a generic or "uniform" national currency design without bank names.[42] The bill would free the Bureau of Engraving and Printing from the burden of preparing thousands of individual bank plates and save banks the cost of the plates, but it went nowhere as attention turned to what would become the Federal Reserve Act. A similar idea surfaced again in 1921 in Senate bill S. 1833.[43] Asked for his position on the Senate bill, then-Treasury Secretary Andrew W. Mellon recommended against it.[44]

Mellon had no interest in substituting one form of national currency with another. He told George F. McLean (R-CT), Chairman of the Senate Committee on Banking and Currency, that Federal Reserve notes were preferable, adding that Congress had repeatedly expressed its agreement that national currency should be eliminated. Mellon cited the Congressional withholding of the circulation privilege from new bonds since 1911; the Federal Reserve Act provisions to replace nationals with Federal Reserve notes; and the repeal of the requirement for national banks to issue circulation.[45] Mellon went so far as telling McLean, that "I think it may be said that this [eliminating national currency] has become a definite policy of the government, and so far as I am aware, it has not been brought in question by any responsible person."[46]

When Treasury's James H. Moyle, Assistant to the Secretary, asked in 1938 for background on the demise of nationals, Commissioner of the Public Debt William Broughton provided this retrospective.[47]

> The inadequacy of the currency system of the United States had been under discussion and investigation for many years. A great and much needed reform was brought about with the enactment of the Federal Reserve Act, approved December 23, 1913, when provision was made for an elastic currency – Federal Reserve notes. That Act also provided a means for the gradual retirement of the rigid bond-secured circulation of National banks. A start in the retirement of the circulation was made, but it was interrupted by the war [World War I] and was never resumed under the Federal Reserve Act.

Actually, in late 1924 Mellon made a concerted effort to begin the retirement of national bank notes when he announced that the Loan of 1925 bonds would be called on February 1, 1925. This action removed $76 million in nationals from circulation, representing approximately 8 percent of the total.[48] No replacement bonds were granted the circulation privilege so Mellon's action simply took a big bite out of the national bank note circulation.

Figure 11. The Aldrich-Vreeland Act of 1908 attempted to introduce some elasticity to national currency by allowing for the temporary deposit of certain non-Federal bonds and commercial paper that could be used to secure additional bank circulation. National bank note plates made during the 1908-1915 life of the act were distinguished by addition of "or other securities" to the securities clause on the face and prominent dates on the back. Heritage Auctions Archive photo.

Mellon presented his *Program for Retiring National Bank Note Circulation* in his 1924 Treasury annual report, explaining that his call of the Loan of 1925 bonds was the first step in what ultimately would be the retirement of all bonds with the circulation privilege.[49]

He pointed out that national currency had failed to serve the growing needs of the country and their lack of elasticity had become a source of real danger.[50] He added that nationals were "unscientific and of a more sentimental than material value to the issuing banks."[51]

But complications ensued. In December 1924, the Federal Reserve Board endorsed the gradual retirement of nationals, and commended Treasury's call of the $76 million Loan of 1925 bonds. However, the Board went on to say that before any additional steps were taken towards further retirement of national currency, changes to the National Bank Act should be made to make national banks more competitive with state banks.[52]

Mellon's plans stagnated. He didn't doubt that he had the legal authority to call the circulation bonds as demonstrated by his call of the Loan of 1925, and he felt Congress had already expressed its views years before. Nonetheless, caution set in and he decided the complete elimination of national bank notes was a question of government policy.[53] Accordingly, in Mellon's annual report for 1928, he indicated he would submit the question to Congress.[54]

Mellon's intentions were derailed. Two significant analyses written in the winter of 1928-1929, one by the Federal Reserve and one by Treasury, came to the same stark conclusion: the government simply did not have the money to retire the nationals.

At the Federal Reserve, on December 20, 1928, Dr. Emanuel A. Goldenweiser, Director of the Division of Research and Statistics, sent a memorandum to Roy A. Young, chair of the Board of Governors, titled "Effect on gold reserves of retirement of national bank notes."[55] Goldenweiser's expertise was bank reserves and the international flow of gold.[56]

Retiring nationals would require the Federal Reserve banks to hold additional collateral, either gold or eligible paper, against the new Federal Reserve notes issued in replacement. Goldenweiser said that this would cause "a useless reduction of our available gold by the full amount of the retired notes, that is, about $675,000,000," or, as his staff explained in an accompanying memorandum, require increased borrowing by member banks to obtain the needed collateral.[57]

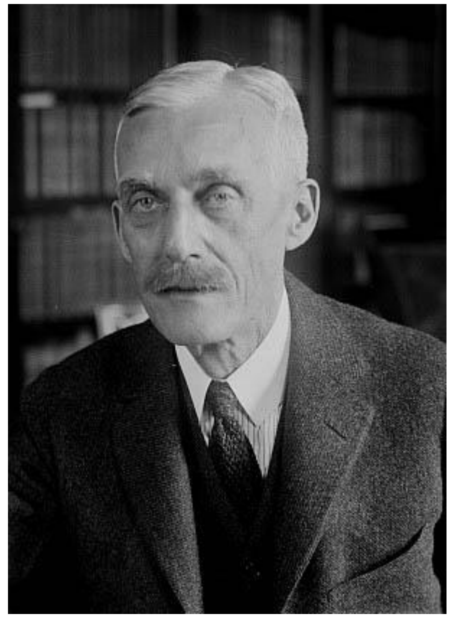


Figure 12. Treasury Secretary Andrew Mellon's 1924 program to gradually replace national bank notes stalled in 1929. Library of Congress photo.

The staff researchers concluded "an obvious alternative is to retain the national bank note circulation, which neither ties up gold nor necessitates as cover so-called eligible paper." Goldenweiser suggested the problem could be obviated by amending the Federal Reserve Act to allow Treasury securities to be held as collateral for Federal Reserve notes up to the amount of the nationals retired.[58] Young distributed Goldenweiser's memo to the Board, including Mellon.[59] The suggestion to amend the Federal Reserve Act collateral requirement was not pursued.

The next month, then-Undersecretary of the Treasury Ogden L. Mills wrote Mellon on January 17, 1929, to say Treasury needed to delay plans to eliminate the nationals.[60]

Mills agreed that the longstanding concern over the lack of elasticity was justified, but the need to eliminate the nationals was less urgent than before. He explained that when the Federal Reserve Act was passed, national bank notes were one-fifth of the currency in circulation but now they were only one-eighth. He noted "the inelasticity of the National Bank note is to-day relatively unimportant, since other forms of currency provide all the elasticity necessary."[61]

Figure 13. In January 1929, Ogden L. Mills, Undersecretary of the Treasury to Andrew Mellon, warned Mellon that eliminating nationals would threaten Treasury's gold reserves. Library of Congress photo.

Mills also explained that when Mellon submitted his 1924 plan to eliminate nationals, the U.S. had significant gold reserves, but now major exports of gold to other countries had "brought us nearer to the time when our gold reserves will be so close to the minima that they will be a determining factor in bank policy." Like Goldenweiser, Mills said that retiring nationals would draw down the gold reserves by $675 million.[62] The alternative would be increased borrowing by Federal Reserve member banks to obtain the necessary collateral for new Federal Reserve notes, a move Mills felt imprudent.

Mills concluded "it would seem unwise for the Treasury Department to definitely commit itself to a program looking to the retirement of the National Bank notes in the immediate future."[63]

Treasury and the Federal Reserve, for the same essential reasons, each decided it was a poor time to retire the nationals.

Four days later, Mellon sent a letter to the Speaker of the House and President of the Senate saying "I have concluded that it would be inadvisable to submit to Congress at this time a program looking to early retirement of our national-bank note circulation"[64] Instead, he advised that small-sized national bank notes would be forthcoming.[65] Mellon's letter to Congress did not go into detail on what changed his mind.

Coolidge's Proposal

Six years after Mellon's efforts fizzled, T.J. Coolidge was ready to try again. Coolidge was thinking big with his Currency memorandum suggesting the end to not only national bank notes, but also legal tenders.

Coolidge gave the memo to Treasury General Counsel Herman Oliphant for his views over the holidays. Oliphant shared the memo with economist Viner.[66] Viner had recently returned to the University of Chicago, but remained closely tethered to his Treasury friends.

Viner replied on January 2, "I, of course, approve in principle of clearing up the paper currency situation and reducing the types of currency to as small a number as possible."[67] Viner cautioned that attempting any legislation at the time may not be politically expedient, and said the desirability of withdrawing the national bank notes may be questioned since they guaranteed an outlet for the circulation bonds.[68] Viner did not specify what part of Coolidge's plan he thought would need legislation, but we can infer it was the elimination of legal tender notes.

Oliphant wrote Coolidge on January 4, saying he had taken the liberty to share Coolidge's December 24 memo with Viner. Oliphant added his own caution that "I have the general feeling that the pressure for monetary experiments will be so great during the present session [of Congress] that we should not do anything to open the issue on the floor of either house, except to meet a really substantial need."[69]

Coolidge spent the rest of January ruminating on his plans, both for the currency and his broad refinancing plans. He wrote Morgenthau again on February 8, 1935. In a memorandum entitled "March Financing" Coolidge wrote the following. [70]

> I have given some more thought to the March financing and want to revise my previous memorandum. The scheme I contemplate I feel is rather ingenious for our orderly refinancing of the five billion Liberties into 3 percent Treasurys. * * * The question of redemption of the consols would be taken up either at the time of this financing or taken up on April 1st, which I think would be preferable. This memorandum is as the last, intended to be merely as thoughts–not a recommendation–but the idea pleases me.

Coolidge forwarded the memo on to Broughton with a cover note saying "Please read this and then come and comment to me. TJC."[71]

We know Broughton replied because he penned a handwritten note in the margin of Coolidge's memo reminding him that the "Temporary circulation privilege expires in July," a reference to the Federal Home Loan Bank bonds whose 3-year circulation privilege period would end on July 22.[72]

The progression in Coolidge's thinking is evident. He abandoned his idea to eliminate United States notes, because that definitely would have required Congressional action and stirred up controversy as Viner and Oliphant predicted. But he held fast to his idea to eliminate the nationals, and, unlike Mellon in 1928, took the position that Treasury should proceed without seeking further Congressional approval. The basic legal issue over involving Congress turned on the protocol that when Congress passes legislation, the ordinary interpretation is that what

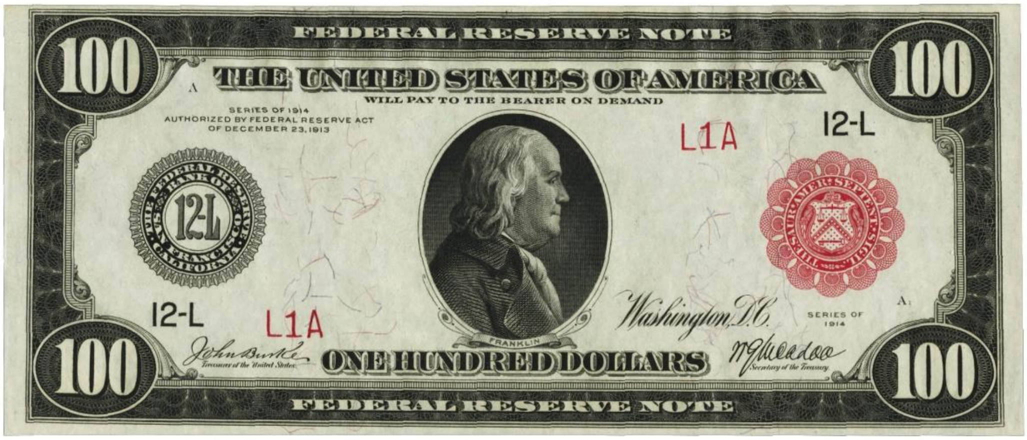


Figure 14. It took six years after the Panic of 1907 for Congress to pass the Federal Reserve Act, providing for a central banking function and fully elastic currency. The first Federal Reserve notes were the Series of 1914. The notes were intended to replace national bank notes, but most national bankers at the time were reluctant to give up their circulations. Heritage Auctions Archive photo.

Congress grants, only Congress can take away unless it provides someone else with the authority to do so.

When they were issued, the terms of the 2 percent Consols stated they were "redeemable at the pleasure of the United States after the first day of April, 1930." The Panama Canal bonds of 1916-36 had been callable since August 1, 1916, and the Panamas of 1918-38 had been callable since November 1, 1918.[73] Unquestionably, the circulation bonds were subject to call, the only ambiguity being who had the authority "of the United States" to actually call them?

Those with a congressional-centric perspective would argue Congress would need to enact new legislation to explicitly allow Treasury to call the bonds because the bond call would entirely eliminate a congressionally authorized program.

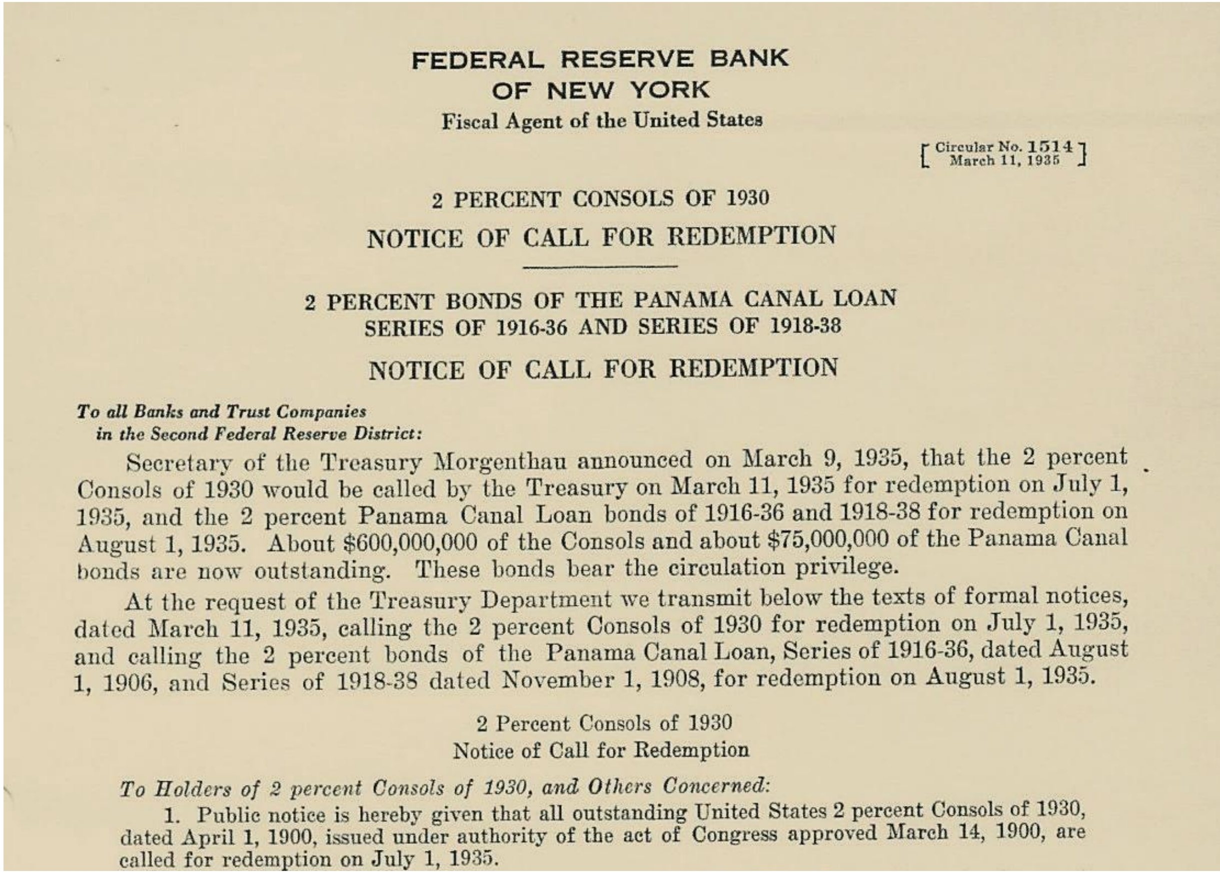
But Coolidge believed Congress already had made its intentions clear through the Federal Reserve Act[74], plus he was well aware of the arguments Mellon initially cited years before. Coolidge was satisfied Congress had spoken and that the decision to call the bonds and eliminate national currency was now in the hands of the executive branch. Plus, he and Morgenthau knew when Mellon called the Loan of 1925 as a prelude to retiring all national currency, no major Congressional objection had materialized.

Coolidge thus provided Morgenthau with both a legal framework for calling the bonds and the rational for not raising the matter to Congress.

Internal Treasury memoranda reveal that some staff attorneys expressed doubt in 1937 regarding successfully defending Morgenthau's action without explicit authority from Congress if the call was challenged in the courts.[75] However, if doubts were raised in early 1935, Coolidge's views prevailed.

The January 29, 1935, Senate Hearing

Morgenthau and Coolidge were closed-mouthed about their plans. On January 29, 1935, the Treasury boys testified before the Senate Committee on Finance regarding the Second Liberty Bonds and related bond refinancing plans. Appearing for Treasury were the big guns: Morgenthau, Coolidge, Daniel Bell (acting budget director), and Broughton. Morgenthau and Coolidge explained how Treasury required additional statutory authority to enable it to remedy a quirk in the original Liberty Loan law. Under then-current rules, Treasury could call the 4-¼ percent



FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 1514
March 11, 1935]

2 PERCENT CONSOLS OF 1930
NOTICE OF CALL FOR REDEMPTION

2 PERCENT BONDS OF THE PANAMA CANAL LOAN
SERIES OF 1916-36 AND SERIES OF 1918-38
NOTICE OF CALL FOR REDEMPTION

To all Banks and Trust Companies in the Second Federal Reserve District:

Secretary of the Treasury Morgenthau announced on March 9, 1935, that the 2 percent Consols of 1930 would be called by the Treasury on March 11, 1935 for redemption on July 1, 1935, and the 2 percent Panama Canal Loan bonds of 1916-36 and 1918-38 for redemption on August 1, 1935. About $600,000,000 of the Consols and about $75,000,000 of the Panama Canal bonds are now outstanding. These bonds bear the circulation privilege.

At the request of the Treasury Department we transmit below the texts of formal notices, dated March 11, 1935, calling the 2 percent Consols of 1930 for redemption on July 1, 1935, and calling the 2 percent bonds of the Panama Canal Loan, Series of 1916-36, dated August 1, 1906, and Series of 1918-38 dated November 1, 1908, for redemption on August 1, 1935.

2 Percent Consols of 1930
Notice of Call for Redemption

To Holders of 2 percent Consols of 1930, and Others Concerned:

1. Public notice is hereby given that all outstanding United States 2 percent Consols of 1930, dated April 1, 1900, issued under authority of the act of Congress approved March 14, 1900, are called for redemption on July 1, 1935.

Figure 15. Excerpt from a one page circular from the Federal Reserve Bank of New York dated March 11, 1935, announcing Treasury Secretary Morgenthau's call of the 2 percent Consols and the Panama Canal Bonds of 1916-36 and 1918-38. No direct mention was made about national bank notes, merely the bland statement "These bonds bear the circulation privilege." fraser.stlouisfed.org

Liberty loans for redemption but were limited in issuing replacements, thus defeating the effort to refinance the debt into lower interest bonds.[76] Congress remedied the problem by providing $25 billion in revolving issue authority in new legislation passed six days later.[77]

The hearing was remarkable for two reasons. First, Senator David Walsh (D-MA) asked Morgenthau if he needed any new authority to assist with refinancing Treasury notes and certificates [as distinguished from the new bond authority being sought]. Morgenthau replied "Mr. Coolidge says we have that authority now in notes and certificates."[78] Walsh did not press the point, but the exchange is revealing. Clearly Morgenthau and Coolidge didn't want to invite discussion into areas where they believed they already had authority.

Next, the subject of bonds bearing the circulation privilege came up. Senator James Couzens (R-MI) asked Coolidge "What is the amount of outstanding Government securities that are eligible for securing [national] currency?" Coolidge replied "There are about $800,000,000 of the old 2-perecent consols and Panama bonds," adding that there was another group of [Federal Home Loan Bank] bonds with a temporary circulation privilege that would expire in July.

Morgenthau clarified that the July expiration pertained to the temporary circulation privilege bonds, not the consols. Couzens asked Morgenthau if he was asking to extend the life of the temporary Federal Home Loan Bank circulation authority, and Morgenthau replied "no." Couzens asked "Do you intend to let it expire? Morgenthau: "Yes, sir."[79]

Figure 16. A First-Mechanics National Bank of Trenton note with signature of bank president Edward C. Stokes. After Treasury announced its bond call, banker Stokes wrote Comptroller the Currency J.F.T. O'Connor lamenting Treasury's decision. Heritage Auctions Archive photo.

Neither Morgenthau nor Coolidge volunteered that they had been discussing for more than a month a plan to call all the circulation bonds and completely end national currency. Established executive branch protocol dictated that Morgenthau not discuss Treasury plans with Congress before conferring with President Roosevelt, so this could possibly explain Morgenthau's silence. But it is more likely he had already secured Roosevelt's tacit approval and that the silence at the hearing was additional indication that Morgenthau and Coolidge saw the bond call as a Treasury decision.

Similarly, when Coolidge attended the Federal Reserve Board meeting on March 4th, the minutes show he made no mention that Treasury planned to call the Consols and Panama Canal bonds.

Ten days after the Senate hearing, Coolidge proposed they move ahead and call the circulation bonds.[80] He followed up with another memorandum on March 5, 1935, titled "Calling Consols and Panama Issues bearing circulation privileges." This memo was his Christmas Eve idea in final form. He wrote to Morgenthau and said "With the amount of gold now in the country and the Federal Reserve banks able to issue circulation far in excess of present needs, it would seem inadvisable to permit national banks to continue to issue circulation."[81] Morgenthau agreed.

The Final Call

The end of national bank notes was publicly set in motion on Saturday, March 9, 1935, one month after Coolidge's March Financing memo to Morgenthau.

Treasury officials briefed the press corps that Morgenthau would formally announce on March 11 that holders of 2 percent Consols were to surrender their bonds by July 1, 1935. On that date all interest would cease on the bonds, and with the cessation of interest, the circulation privilege would end. Similarly, holders of Panama Canal bonds were notified to surrender their bonds by August 1, 1935. The press materials were timed so that the story would be widely reported in Monday morning's newspapers.[82]

National Bank notes were supported by a three-legged stool of circulation bonds: 2 percent Consols, 2 percent Panama Canal Bonds, and higher interest Federal Home Loan Bank bonds with the temporary three-year circulation privilege. The Consols and Panama Canal bonds could have lasted for years longer but Morgenthau's March 11 call knocked out those two legs. The Federal Home Loan Bank bonds were statutorily losing their circulation privilege on July 22, 1935, knocking out the third leg. National bank notes were finished on August 1.

The Bureau of Engraving and Printing didn't wait. A journal kept by a press room official has this entry: "March 11, 1935. The printing of National Bank Currency Ser. 1929 was suddenly stopped about 11 A.M. Orders on presses were not finished." The last of the finished sheets were numbered and sealed, and delivered to the Comptroller of the Currency on May 20, 1935.[83]

Morgenthau Reassures the Public

In Treasury's press release on March 9, Morgenthau explained the why and how of retiring the circulation bonds.[84]

> [Redemption would] accomplish a simplification of the currency system through the elimination of national bank notes, an action contemplated at the time of the Federal Reserve Act. * * * National bank notes will be retired as rapidly as they are presented to the Treasury. It is expected that the great majority will be cancelled within a year. This will leave as permanent circulation Federal Reserve notes, silver certificates, and United States notes. Additional Federal Reserve notes will be issued to replace the national bank notes as they are retired, and as demand arises. * * * In retiring these bonds, Treasury will make use of the free gold resulting from the reduction in the weight of the gold dollar.

On April 14th Morgenthau went on national radio to talk about Treasury's efforts to combat the Depression. While his main topic was refinancing the fourth Liberty Loan bonds, he also told

Figure 17. A month after the bond call, Treasury Secretary Morgenthau went on the radio to talk about the Treasury's bond refinancing plans. In his address, he reassured the public that the withdrawal of national bank notes was part of an orderly plan to gradually replace national bank notes with Federal Reserve notes. Morgenthau, like FDR, made use of the radio to communicate directly with the public about New Deal programs. Library of Congress photo.

listeners that “In July and August we know that we are going to retire $674,000,000 of interest-bearing Government securities. These are the Panama Canal bonds and United States consols that have already been called for redemption. The cash for that transaction is now in the Treasury.”[85]

The kicker of Morgenthau’s message about calling the Liberty bonds was this: “We did not have to call them; they were not due; it was good business sense that prompted our action.”[86] The same rationale motivated his action on the circulation bonds.

Public and Press Reaction

The call of the bonds and ending of national bank circulation caused no great Congressional outcry. Banker and public comments were generally restrained.

Treasury had initial reason to be wary. Back in January 1929, The United States Banker magazine reported that in a survey of 4,287 national banks, conducted by A.S. Pratt & Sons, the longtime publisher of Pratt’s Digest of National Banking Laws, 3,813 banks (89 percent) urged continuation of national bank notes, 138 banks (3 percent) replied that they were opposed to nationals, and 336 banks (8 percent) replied they were indifferent.[87]

But times had changed by 1935. The Great Depression and the banking crisis had taken their toll. More than 3,000 national banks had failed and national bank notes, despite their advertising benefits, were not a hill for most banks to die on any longer.

One banker with concerns was Edward C. Stokes, President, First-Mechanics National Bank, Trenton, New Jersey. Stokes gently wrote to Comptroller of the Currency J.F.T. “Jefty” O’Connor the day after Morgenthau’s bond call and said “I was very surprised yesterday to learn of the action of the government to take from national banks the circulation privilege which has been for so long a part of their function. I presume that nothing can be done to change this determination and it has probably been irrevocably decided upon. I do feel, however, that this is a hardship upon the national banks and might well be postponed.”[88] O’Connor’s short reply to Stokes said his sentiments had been noted, and “Inasmuch as this action was taken by the Secretary

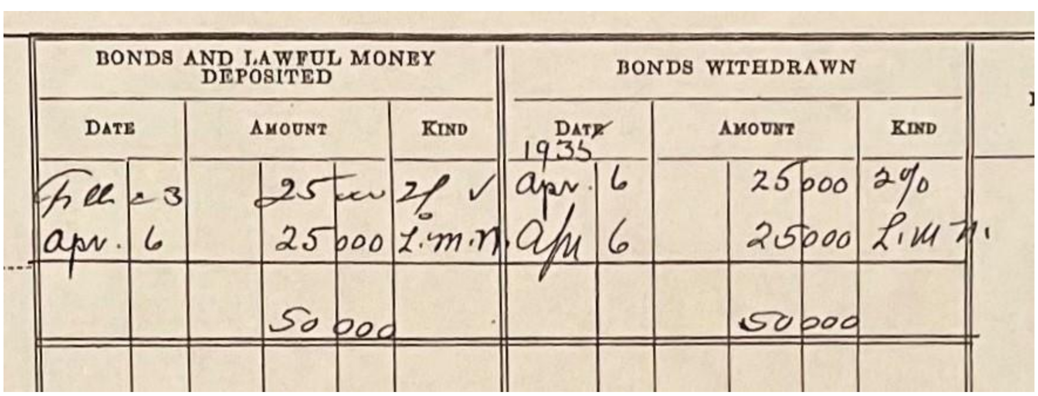


Figure 18. This is the bond record in the final Comptroller of the Currency National Currency and Bond Ledgers for Mount Olive National Bank, Mount Olive, IL, charter 14285. The late-chartering bank deposited its modest $25,000 in 2% Consols on February 23, 1935 (see ledger top left). The bank was sent its total circulation between February 23 and March 6, consisting entirely of $100 Type 2 notes. A bare 5 days after its last shipment, Treasury called the bonds. This is an example of a bank that didn’t wait for the final July 1 call date and surrendered its bonds early. The bonds were withdrawn April 6 (see top right), and Treasury deposited lawful money (labeled “LMN” for “lawful money new series”) to liquidate the bank’s liability for its Series 1929 notes. The $50,000 entries at bottom are closeout reconciling entries by the Comptroller’s clerks.

of the Treasury, I am this day forwarding him a copy of your letter for his information and consideration."[89] This was Treasury's bond call, and O'Connor, who was insulated from the decision by Morgenthau, did not want to be caught in the crossfire.

The New York Times ran a lengthy article on March 12, 1935 on the bond call, explaining how the move to Federal Reserve notes would expand Treasury's currency base vs. the national bank notes being withdrawn.[90] Tellingly, the story also said that "Although Congress granted to national banks the right to issue notes and the action of the Treasury will lead to the elimination of such notes, Mr. Coolidge held that Treasury had the right to call in the consols and the canal bonds."[91] Coolidge was not hiding from his position on the matter.

The same article also stated "Note Retirement Long Planned," and that the current administration's monetary trend was for "limiting the classes of currency to Federal Reserve notes, silver certificates, and United States notes.[92]

Five days after the bond call, New York's Financial Chronicle opined on March 16, 1935, that "The actions of the Treasury for the retirement of pre-war obligations, now pledged to secure national bank notes, and the concomitant retirement of these [notes] have attracted rather wide attention, probably wider than they deserve."[93] The conservative Chronicle writers were more concerned with "government excesses" than saving national currency.

A New York Times headline for March 17, 1935, said "End of Bank Notes Meets No Dissent, Sound Money Advocates as Well as Inflationists Hail Administration Move" and "Economists Urged Plan."[94] The opening paragraph was the following. [95]

> Elimination of national bank notes from the currency system through the retirement of bonds on which circulation may be based, which was announced last week by the Treasury, will involve, as between Treasury and the national banks issuing the notes, little more than a bookkeeping operation. As concerns the public, the change will involve merely the imperceptible disappearance from circulation of national bank notes over a long period of time and the equally gradual substitution of Federal Reserve notes.

The article concluded "A striking feature of the plan to retire national bank notes was that it apparently pleased all shades of monetary opinion–something, it is believed, that has been accomplished by no other monetary measure taken up by the administration."[96]

The national banks got onboard, and the July 1935 issue of the Federal Reserve Bulletin reported that between the March 11 bond call and June 29, national banks had deposited approximately $410 million into the Treasury for their outstanding circulations ahead of the deadlines, thus transferring liability for the notes to the Treasury Department.[97] The Bulletin also noted that over $90 million in unfit nationals had already been culled from circulation and returned to the Treasury.[98]

The Bulletin took pains to note that "Elimination of national-bank notes from the circulating medium of the country is being carried out by a method which will result in a minimum of disturbance to the money market."[99]

The elimination of national bank notes was not entirely free of discord. Dozens of protests from banks were filed with Treasury and in the courts, but the protests, except one, didn't challenge the right of the Secretary to call the bonds or end nationals. Rather, the national banks were challenging the fact they were not being paid in gold per the terms in force when they purchased the bonds.[100] Treasury would come out on top on the gold protests at the Supreme Court.

The officers of one national bank, the Lincoln National Bank of Newark, New Jersey, Charter 12570, did challenge Morgenthau's authority to call the bonds rather than Congress. The bankers refused to surrender their 2 percent Consol bonds totaling $600,000.[101] They fought for two and a half years but Treasury finally redeemed their bonds on December 31, 1937.[102]

For the average Joe suffering through the Great Depression, ending nationals was not a controversy. It was more important to have a $5 bill in his pocket, any $5 bill, than worrying about the legal basis behind its issue.

Closeout Logistics

As the final bond redemption dates neared, Coolidge wrote the Federal Reserve banks on May 17, 1935, advising that no new national bank notes would be issued after June 1 except in special circumstances. The banks were to continue to cancel and send unfit (worn-out) nationals to the Treasurer for sorting to the bank of issue for proper redemption.[103]

Regarding fit nationals, the banks were given discretion to place them back into circulation or hold them in their vault cash until August 1 when further instructions would be forthcoming.[104] Broughton advised Coolidge that the Federal Reserve banks were holding more than adequate supplies of other classes of currency, so holding national bank notes back from circulation would not be an imposition on most banks.[105]

On July 24, Coolidge provided the further instructions, saying that as of August 1 all national bank notes held or thereafter received by Federal Reserve banks were to be canceled and sent to Treasury for redemption.[106] Treasury would assume all liability for the outstanding notes except for the disputed $600,000 circulation of the Lincoln National Bank of Newark,[107] and therefore the Treasurer's office would discontinue sorting nationals by bank. The redeemed notes would be charged to a single merged retirement account at Treasury.[108] Coolidge carefully included the Federal Reserve Board, the Treasurer, and the Comptroller of the Currency on the instructions.[109]

Banks that had already deposited lawful money to clear the liability for their nationals in circulation were paid in full for their redeemed bonds. See **Figure 16**. The Treasurer's office advised other banks that they could offset their outstanding national currency against their redeemed bonds, meaning a bank with $100,000 in Consols and $60,000 in outstanding nationals would receive a bond closeout check from the Treasurer for $40,000.[110]

There were $769 million in national bank notes in circulation on June 30, 1935. Five years later, 78.3% of them had been redeemed and destroyed.[111]

Figure 19. An amazing survivor – the last national bank note sent to a bank. Regular shipments of nationals from the Comptroller of the Currency's Issue Division ceased May 31, 1935. However, a clerical error in the Comptroller's office caused this bank's circulation to be shorted $50,000. When the error was discovered, the Comptroller sent $50,000 to the bank on July 13, 1935, with this note bearing the highest serial number in the shipment. Jesse Lipka photo.

Why Treasury Succeeded in 1935 When Earlier Efforts Failed

While this article reveals the role T. J. Coolidge III played in developing the legal rationale and seizing the moment to end national currency, the lasting question is not who ended national bank notes, but what made it possible for Morgenthau and Coolidge to succeed in 1935 when prior efforts failed?

The Great Depression and the 1933 banking crisis enabled Roosevelt and Morgenthau to make monetary reforms that would have been a bridge too far for Herbert Hoover and Andrew Mellon. In this case, Roosevelt, Morgenthau, and Coolidge followed the old adage "never let a good crisis go to waste."

With the benefit of a desperate and therefore largely compliant Congress, even if many members lacked New Deal enthusiasm, Roosevelt broke down policy and legislative barriers starting with the bank holiday in March 1933. Instead of biding time and hoping the Depression would heal itself as had Hoover, Roosevelt launched Treasury into action with monetary measures of a scale and tenor never seen before.

If Andrew Mellon had unilaterally eliminated nationals in the late 1920's, it would have been the center of attention, helping explain his decision in 1928 to seek Congress's view as a matter of policy. But for Morgenthau in 1935, in the whirlwind of other New Deal programs, eliminating national currency was just another piece of a bigger plan.

What finally tipped the scales in favor of eliminating national bank notes was the addition to the Treasury boys team of "hard boiled banker" T.J. Coolidge. He was driven, without the innate caution of the Washington bureaucracy.

Figure 20. Charles Sumner Hamlin was the first Governor (now called Chair) of the Federal Reserve Board, and remained on the Board until February 1936. Hamlin's extensive diaries, available from the Library of Congress, provided candid insight to the actions of Morgenthau, Coolidge, and other "Treasury boys." Library of Congress photo.

Coolidge's central role in ending national currency had three major dimensions. First, his Christmas Eve 1934 memo to Morgenthau revived the long-dormant idea to call the circulation bonds. Second, he made the case that eliminating national currency was an operational decision for Treasury to make, not a policy decision for Congress. Third, he was the one who proposed using the stabilization fund to pay for the plan.

The fundamental reason Treasury succeeded in retiring the nationals in 1935 after backing off in 1929 was that revaluing gold in 1934 gave Treasury a $2 billion windfall. This profit went into the stabilization fund created by the Gold Reserve Act, and allowed Treasury to pay-off the $675 million liability for the retired nationals without draining its gold reserves or stirring up a hornet's nest of banker and Congressional opposition. Coolidge had solved the problem that had vexed Mellon, Mills and Goldenweiser in 1929.

Coolidge announced on January 17, 1936 that he was resigning from Treasury to return to banking. Morgenthau issued a press release publicly thanking "Jeff" for his two years as Undersecretary and for his "conscientious and loyal help in the many difficult problems" they faced together.[112] Roosevelt also sent Coolidge a kind farewell letter thanking him for his loyal and able service.[113] Coolidge's last day at Treasury was February 15, 1936.[114]

Perspectives

This article explains how Morgenthau and Coolidge went about ending national bank currency, and why they were able to succeed. But there is one final question to answer–why did they want to? No one else was clamoring to end national bank notes at the moment. It wasn't a campaign promise of Roosevelt's. Morgenthau didn't have them in his sights when he took over as Secretary. Neither Congress nor the banks were complaining about nationals at the time.

Coolidge's main focus was replacing Treasury's high interest bond programs, but he also went after the 2 percent Consols and 2 percent Panama Canal circulation bonds, bonds already at low interest rates. The answer to this seeming inconsistency is that Coolidge went after them not because they were an interest rate problem, but because they were the foundation for national currency.

Coolidge had a conservative's fundamental dislike for national currency because it was circulating public debt, just like the legal tender greenbacks. That is why Coolidge originally proposed to Morgenthau to kill off both the legal tenders and the national bank notes together.

Ending nationals would lower the national debt. Coolidge was already refinancing Treasury's other bond programs through massive redemption calls, so folding the Consols and the Panama Canal circulation bonds into the calls made sense. Career Treasury officials would not buck the plan because nationals had been an operational headache since their inception.

The great paradox of the Treasury Department in the years 1933 through 1936 is that in the throes of the Great Depression, some of the most radical monetary changes in the nation's history were accomplished by two avowed financial conservatives. It was not until 1938 that Roosevelt, seeing early New Deal recovery efforts dissipate and a new recession underway, more aggressively moved his administration to deficit spending to keep the economy from stalling again, a move that caused Morgenthau discomfort.[115]

By that time Coolidge had returned to private sector banking. Morgenthau did not sour on him, despite the prediction of Federal Reserve member Eugene Black, and despite Time Magazine saying Morgenthau went through "enough former Under Secretaries of the Treasury to start a lodge."[116]

Roosevelt did not sour on Morgenthau, but it is likely Roosevelt later cooled on Coolidge. In September 1940, when Roosevelt was running for his third term, Coolidge testified before the Senate Judiciary Committee, criticizing the accumulation of executive power in one man for so long and urging adoption of a Constitutional amendment that would limit presidents to one six-year term.[117] Coolidge was a conservative to the end.

References and Sources Cited

Board of Governors of the Federal Reserve System. "Memorandum re Matter of Issuing Plates by the Bureau of Printing and Engraving to National Banks Availing Themselves of the Circulation Privilege." Memorandum re burden on Bureau of Engraving and Printing of individual national bank plates and discussion of uniform national bank notes. Mimeograph Letters and Statements of the Board, December 8, 1917, No. X-560, Volume 6, page 3041. https://fraser.stlouisfed.org

Board of Governors of the Federal Reserve System. Fifteenth and Twenty-Second Annual Reports of the Board of Governors of the Federal Reserve System 1928 and 1935. Washington, DC: Government Printing Office 1928 & 1935. https://fraser.stlouisfed.org

Board of Governors of the Federal Reserve System. Minutes of the Board of Governors, 1934 and 1935. Federal Reserve Board, Washington, D.C. https://fraser.stlouisfed.org

Broughton, William S., Commissioner of the Public Debt, to Alvin B. Hall, Director, Bureau of Engraving and Printing, April 28, 1931. Memorandum on improving national bank notes. Records of the Bureau of the Public Debt, Series K Currency, Record Group (RG) 53. U.S. National Archives, College Park, MD.

Broughton, William S. Commissioner of the Public Debt, to Daniel W. Bell, Assistant to the Secretary, July 18, 1939. "Statement concerning the circulation privilege of United States bonds, to which is appended a short account concerning the retirement of the national bank circulation." Records of the Bureau of the Public Debt, Series K Currency, RG 53, U.S National Archives, College Park, MD.

Broughton, William S, Commissioner of the Public Debt, to T.J. Coolidge III, Undersecretary of the Treasury, October 22, 1935. Memorandum indicating all national bank circulation accounts had been closed with the exception of the Lincoln National Bank, Newark, New Jersey. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Broughton, William S, Commissioner of the Public Debt, to T.J. Coolidge III, Undersecretary of the Treasury, May 11, 1935. Memorandum indicating Federal Reserve banks had sufficient supplies of U.S. notes and Federal Reserve notes on hand as national bank notes were withdrawn from circulation. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Broughton, William S., Commissioner of the Public Debt, to James H. Moyle, Assistant to the Secretary, U.S. Treasury, December 18, 1938. Memorandum on background history of national bank note retirement efforts. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Cantor, Jeffery A., and Donald R. Stabile. *A History of the Bureau of the Public Debt 1940-1990, with historical highlights from 1789-1939.* Danbury, CT: CH Associates 1990.

Committee on the History of the Federal Reserve System, American Currency and Banking History – "Currency Problems: National Bank Notes." File of various news articles on retirement of national bank notes 1915-1935. Entry 176, Box 10, Folder 4, Item 4. https://fraser.stlouisfed.org

Committee on the History of the Federal Reserve System. "Interview with Professor Jacob Viner, Professor of Economics at Princeton University." Entry 167, Box 2, Folder 2, Item 21, March 17, 1954.

Congressional Record, Senate, 72nd Congress, First Session, p. 15005. Washington, D.C. July 11, 1932.

Congressional Record, Senate, 74th Congress, First Session, pp. 5624-5625. Washington, D.C. April 15, 1935.

Coolidge III, T. J., Undersecretary of the Treasury, to Marriner S. Eccles, Federal Reserve Board, July 30, 1935. Memoranda transmitting final instructions regarding national bank notes and coordination with the U.S. Treasurer and the Comptroller of the Currency. Records of the Federal Reserve System, Board of Governors, Central Subject File 1913-1954. RG 82/450/64/35/6 Box 2600 file 605 National Bank Notes Currency 1921-1928. U.S. National Archives, College Park, MD.

Coolidge III, T. J., Undersecretary of the Treasury, to Governors of the Federal Reserve Banks, May 17, 1935, and July 24, 1935. Memoranda discussing final sorting and redemption procedures for national bank notes. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement, National Bank Notes Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Coolidge III, T. J., Undersecretary of the Treasury, to Henry Morgenthau Jr., Secretary of Treasury, December 24, 1934. "Currency" memorandum proposing elimination of national bank notes. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement, National Bank Notes Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Coolidge III, T. J., Undersecretary of the Treasury, to Henry Morgenthau, Jr., Secretary of the Treasury, February 8, 1935. "March Financing" Memorandum on timing of bond refunding plans and call of the circulation bonds. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Coolidge III, T. J., Undersecretary of the Treasury, to Henry Morgenthau, Jr., Secretary of the Treasury, March 5, 1935. "Calling Consols and Panama Issues bearing circulation privileges" Recommendation to call the bonds and issue Federal Reserve notes in their place. Records of the Bureau of the Public Debt, RG 53/450/53/35/06 Box 3, file "2% Consol Bonds." U.S. National Archives, College Park, MD.

Dana, William Buck, editor. *Financial Chronicle*. March 16, 1935; January 18, 1936. New York.

Eddy, Walter, Secretary, Federal Reserve Board, to Federal Reserve Board members, December 1 and December 5, 1924. Memoranda to the Board summarizing Board motion regarding national currency retirement. Records of the Federal Reserve System, Board of Governors, Central Subject File 1913-1954. RG 82/450/64/35/6 Box 2600 file 605 National Bank Notes Currency 1921-1928. U.S. National Archives, College Park, MD.

Federal Reserve Board. "Federal Reserve History." 2022 https://www.federalreservehistory.org

Federal Reserve Board. *Federal Reserve Bulletin*. Washington: December 1924.

Federal Reserve Board. *Federal Reserve Bulletin.* Washington: July 1935.

Freidman, J.B., staff attorney, Office of the General Counsel, Treasury Department, to Bernard Bernstein, Assistant General Counsel, December 28, 1937. Legal memorandum regarding failure of a national bank to surrender its circulation bonds. Records of the Bureau of the Public Debt, Entry UD-UP, Loans, RG 53/450/82/05/05 Box 1 Panama Canal file (unnumbered). U.S. National Archives, College Park, MD.

Forer, J., Treasury staff attorney, to Mr. Fuller (no first name given), Treasury attorney, November 2, 1937. Internal deliberative memorandum regarding whether the 2 percent Panama Canal bonds were properly called. Records of the Bureau of the Public Debt, Entry UD-UP, Loans, RG 53/450/82/05/05 Box 1 Panama Canal file (unnumbered). U.S. National Archives, College Park, MD.

Goldenweiser, Emanuel, Director, Division of Research and Statistics, Federal Reserve Board, to Roy A. Young, Chairman, Federal Reserve Board, December 20, 1928. Memorandum "Effect on gold reserves of retirement of national bank notes." Federal Reserve Board document X-6208, Volume 29, pp. 403-41. https://fraser.stlouisfed.org

Hamlin, Charles Sumner. *Diaries of Charles S. Hamlin*. Index-Digest Volumes 25 & 26. Part of Charles S. Hamlin Papers, Library of Congress, Manuscript Division, Washington, D.C: accessed 2022, via https://fraser.stlouisfed.org

Herbstman (Joe I.) Memorial Collection of American Finance. https://www.theherbstmancollection.com

Huntoon, Peter W., and Andrew Shiva. Encyclopedia of U.S. National Bank Notes, SPMC.org 2022.

Levy, Herbert L. *Henry Morgenthau Jr., The Remarkable Life of FDR's Secretary of the Treasury*. New York, NY: Skyhorse Publishing, 2010.

Library of Congress, Prints and Photographs Division. Source photographs: Figure 1, Henry Morgenthau Jr., Library of Congress Control Number (LCN) 2016875184; Figure 10, Andrew Mellon, LCN 2016885715; Figure 12, Ogden Mills, LCN 2016861236; Figure 15, Henry Morgenthau Jr. radio address, LCN 2016883173; Figure 18, Charles Sumner Hamlin, LCN 206864808.

McClung, Lee. Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year ended June 30, 1911. U.S. Government Printing Office, Washington, D.C., 1911.

Mellon, Andrew W. Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year ended June 30, 1924; 1928; 1929. U.S. Government Printing Office, Washington, D.C., 1924, 1928, 1929.

Mellon, Andrew W., to George F. McLean (R-CT), Chairman, Committee on Banking and Currency, U.S. Senate, September 30, 1921. Memorandum providing views on S. 1833, a bill proposing uniform national currency. Records of the Federal Reserve System, Board of Governors, Central Subject File 1913-1954. RG 82/450/64/35/6 Box 2600 file 605 National Bank Notes Currency 1921-1928. U.S. National Archives, College Park, MD.

Mellon, Andrew W., to Nicholas Longworth (R-OH), Speaker, House of Representatives, and Charles Curtis, (R-KS), President of the Senate, January 21, 1929. Letter indicating postponement of national bank note retirement. Records of the Bureau of the Public Debt, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement, National Bank Notes Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Meltzer, Allan H. *A History of the Federal Reserve, Vol. I, 1913-1951*, Chicago: University of Chicago Press, 2003.

Mills, Ogden L., Undersecretary of the Treasury, to Andrew W. Mellon, Secretary of the Treasury, January 17, 1929. Memorandum re: delaying retirement of national bank notes. Bureau of the Public Debt, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement, National Bank Notes Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Morgenthau, Henry Jr. Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Years ending June 30, 1934-37. U.S. Government Printing Office, Washington, D.C., 1934-37.

New World Encyclopedia. 2022. https://www.newworldencyclopedia.org

New York Times. "Consols Called for Redemption." New York: New York Times, March 12, 1935.

New York Times. "End of Bank Notes Meets No Dissent." New York: New York Times, March 17, 1935.

O'Connor, J. F. T., Comptroller of the Currency, to Edward C. Stokes, President, The First-Mechanics National Bank, Trenton, N.J, March 18, 1935. Response to concerns over circulation privilege bond call. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Oliphant, Herman, Treasury Department General Counsel, to T. J. Coolidge III, Undersecretary of the Treasury, January 4, 1935. Memorandum re: sharing Coolidge bond call memo with Jacob Viner. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Piser, L. M., Federal Reserve board, to Mr. Thomas (no first name given), Federal Reserve board, June 21, 1935. Memorandum "Retirement of national bank notes," advising on U.S. Treasurer's procedures for paying banks for redeemed circulation bonds. Records of the Federal Reserve System, Board of Governors, Central Subject File 1913-1954. RG 82/450/64/35/6 Box 2600 file 605 National Bank Notes Currency 1921-1928. U.S. National Archives, College Park, MD.

Richardson Gary, Alejandro Komai, and Michael Gou. "Essay: Banking Act of 1935." Federal Reserve Board, Federal Reserve History, 2022 https://www.federalreservehistory.org

Richardson Gary, Alejandro Komai, and Michael Gou. "Essay: Gold Reserve Act of 1934." Federal Reserve Board, Federal Reserve History, 2022 https://www.federalreservehistory.org

Stokes, Edward C., President, The First-Mechanics National Bank, Trenton, N.J., to J. F. T. O'Connor, Comptroller of the Currency, March 12, 1935. Letter expressing disappointment with withdrawal of circulation privilege bonds, Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Time Magazine. New York: Time Inc., May 7, 1934 and July 25, 1943.

U.S. Department of the Treasury. *History*. https://home.treasury.gov/about/history

U.S. Department of the Treasury. "*Press Releases*." Vols. 14A Jan. 1, 1934 – December 31, 1934; Vol. 14 December 29, 1934 – May 20, 1935; and Vol. 16, October 9, 1935 – March 9, 1936. https://fraser.stlouisfed.org

U.S. Department of the Treasury, Official Record, Records Administration Division, Office of Administrative Services. Personnel file, T.J. Coolidge. RG 56, Records of the Department of the Treasury, Office of the Secretary. U.S. National Archives, College Park, MD.

U.S. Senate, Committee on Finance, hearing transcript, "To Amend the Second Liberty Bond Act." Hearing before the Committee on Finance, U.S. Senate, 74th Congress, 1st Session, re H.R. 4304, An Act to Amend the Second Liberty Bond Act, as amended, and for other purposes. January 29, 1935. https://www.finance.senate.gov/imo/media/doc/74Hrg2ndLiberty.pdf

Viner, Jacob, Professor, University of Chicago, to Herman Oliphant, Treasury Department General Counsel, January 2, 1935. Letter re views on Coolidge bond call memo. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

Wall Street Journal. "Treasury to Redeem Circulation Bonds." New York: Wall Street Journal, January 25, 1927.

Wikipedia.org. Various pages. 2022. https://en.wikipedia.org

Williams, John Skelton, Comptroller of the Currency, to Assistant Secretary of the Treasury R. C. Leffingwell, June 26, 1920. Memorandum re redemption backlogs. Records of the Bureau of the Public Debt, Series K Currency, RG 53. U.S. National Archives, College Park, MD.

Woods, Walter O., Treasury auditor, to Henry Herrick Bond, Assistant Secretary of the Treasury, September 28, 1928. Memorandum re discontinuing national bank notes. Records of the Bureau of the Public Debt, Series K Currency, RG 53. U.S. National Archives, College Park, MD.

Woods, Walter O., Treasury auditor, to William S. Broughton, Commissioner of the Public Debt, April 3, 1928. Memorandum re national bank note redemption and printing national bank notes without bank names. Records of the Bureau of the Public Debt, Series K Currency, RG 53. National Archives, College Park, MD.

Footnotes

---

[1] https://home.treasury.gov/about/history/prior-secretaries/henry-morgenthau-jr-1934-1945

[2] https://www.federalreservehistory.org/essays/gold-reserve-act

[3] Public Law 73-87, 73rd Congress, H.R. 6976, January 30, 1934.

[4] Gary Richardson, A. Komai, and M. Gou, Essay "Gold Reserve Act of 1934," 2022 via https://www.federalreservehistory.org/essays/gold-reserve-act

[5] T.J. Coolidge III, Undersecretary of the Treasury, memorandum to Treasury Secretary Henry Morgenthau titled "Currency," December 24, 1934. Records of the Bureau of the Public Debt, RG 53, U.S National Archives, College Park, MD.

[6] Levy, p. 246.

[7] https://www.federalreservehistory.org/people/henry-morgenthau-jr

[8] Meltzer, p. 415.

[9] Ibid, p.459.

[10] Levy, pp. 274-275.

[11] Public Law 73-87, 73rd Congress, H.R. 6976, January 30, 1934. https://fraser.stlouisfed.org

[12] Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ending June 30, 1935, pp. 256-264. *Hereafter*, Treasury Department Annual Report.

[13] Time Magazine, July 25, 1943, p. 19.

[14] Levy, pp. 265-6.

[15] Ibid, p. 266.

[16] https://www.newworldencyclopedia.org/entry/Jacob_Viner

[17] https://www.federalreservehistory.org/people/marriner-s-eccles

[18] Committee on the History of the Federal Reserve System, Interview with Professor Jacob Viner, Professor of Economics at Princeton University, Entry 167, Box 2, Folder 2, Item 21, March 17, 1954. https://fraser.stlouisfed.org

[19] https://en.wikipedia.org/wiki/Herman_Oliphant

[20] https://en.wikipedia.org/wiki/Herman_Oliphant

[21] Jeffery A. Cantor and Donald R. Stabile, *A History of the Bureau of the Public Debt*, January 1990, pp. 213-15.

[22] Hamlin was the first Chair (called "Governor" at the time) of the Federal Reserve Board. He served in that role from August 10, 1914 to August 9, 1916, then remained on the board until February 3, 1936. He died in 1938. His extensive papers and diaries are held by the Library of Congress, Washington, D.C. Charles S. Hamlin papers via https://fraser.stlouisfed.org

[23] Hamlin diaries, Index-Digest, Box 40, Vol. 26, January-October 1, 1935, various attributions throughout.

[24] U.S. Treasury Department, Official Record, Records Administration Section, Office of Administrative Services. Personnel file T. J. Coolidge, Special Assistant to the Secretary. General Records of the Department of the Treasury, RG 56, U.S National Archives, College Park, MD.

[25] Time Magazine, May 7, 1934.

[26] Treasury Department Annual Report, June 30, 1934, p. XIII.

[27] Time Magazine, May 7, 1934.

[28] Ibid.

[29] Massachusetts Historical Society, Frederick J. Bradlee, Third Series, Vol. 72 (October 1957-December 1960) pp.373-378, courtesy of JSTOR https://www.jstor.org/stable 25080531.

[30] Time Magazine, May 7, 1934.

[31] Ibid.

[32] Hamlin Diaries, Index-Digest, Box 39, Vol. 25, May 1-December 31, 1934, attributed to Federal Reserve governor Eugene R. Black, entry of June 24, 1934, p. 7. https://fraser.stlouisfed.org

[33] Hamlin Diaries, Index-Digest, Box 40, Vol. 26, January-October 1, 1935, attributed to Federal Reserve governor Marriner Eccles, May 1, 1935, p. 19.

[34] Hamlin Diaries, Index-Digest, Box 39, Vol. 25, May 1-December 31, 1934, attributed to Senator Marcus A. Coolidge (D-MA) (no relation to T. J. Coolidge), entry of August 18, 1934, p. 45.

[35] U.S. Treasury Department, Records Administration Section, Office of Administrative Services, personnel file T. J. Coolidge, Treasury Department Orders, Assignment of Bureaus and Offices. April 3, 1934. General Records of the Department of the Treasury, RG 56. U.S National Archives, College Park, MD.

[36] For example, there is no mention of the coming Treasury call to redeem the circulation bonds in the Federal Reserve Board Meeting Minutes, Washington D.C., of March 4, 1935, despite attendance by Coolidge; also, the Index to Minutes of the Board of Governors of the Federal Reserve System, for 1935, Vol.22, is silent to the bond call. The 1934 Board minutes are similarly silent. https://fraser.stlouisfed.org

[37] Treasury Department Annual Report, June 30, 1935, p. 14.

[38] The term "circulation privilege" does not appear in the National Bank Act, and Treasury bonds did not stipulate on their face that they carried the circulation privilege. Rather, the National Bank Act stipulated that Treasury bonds carrying interest were eligible as security for circulating notes, and when Treasury announced such bond issues, the announcing Circular indicated that national banks could use the bonds as security for circulating notes. Later, out of concern that new bond issues would be

used to expand the perceived inflationary national currency, in 1911 Congress began to add statutory language in its authorizations of new bond issues that expressly forbid the bonds from being used to secure national currency, and the prohibition was stipulated on the face of those bonds. Only where bond authorizations were silent was the circulation privilege conferred on the bonds. From William S. Broughton, Commissioner of the Public Debt, memorandum to Daniel W. Bell, Assistant to the Secretary, July 18, 1939, "statement concerning the circulation privilege of United States bonds, to which is appended a short account concerning the retirement of the national bank circulation." Records of the Bureau of the Public Debt, Series K Currency, RG 53, U.S National Archives, College Park, MD.

[39] Ibid, pp. 2-6.

[40] T.J. Coolidge III, Currency" Memorandum to Henry Morgenthau, December 24, 1934.

[41]Such articles included "Retirement of national bank circulation" (Bankers Magazine, 1915); "The retirement of national bank notes" (Journal of Political Economy, October 1925); "Will the national bank note go? (American Bankers Association Journal, July 1927). See Committee on the History of the Federal Reserve System, American Currency and Banking History - Currency Problems: National Bank Notes, Entry 176, Box 10, Folder 4, Item 4, by Committee on the History of the Federal Reserve System, 1956. File of various news articles on retirement of national bank notes 1915-1935. https://fraser.stlouisfed.org

[42]U.S. House of Representatives, 62nd Congress, 2nd Session, H.R. 26115, August 3, 1912.

[43] Andrew W. Mellon, to George F. McLean (R-CT), Chairman, Committee on Banking and Currency, U.S. Senate, memorandum of September 30, 1921, providing views on S. 1833, a bill proposing uniform national currency.

[44] Ibid.

[45] Ibid.

[46] Ibid.

[47] William S. Broughton, Commissioner of the Public Debt, to James H. Moyle, Assistant to the Secretary, U.S. Treasury, memorandum dated December 18, 1938, providing background history of national bank note retirement efforts.

[48] Federal Reserve Board, Washington, Federal Reserve Bulletin, December 1924, pp. 944-947. Also, Peter Huntoon and Lee Lofthus, "Loan of 1925," in press.

[49] Treasury Annual Report 1924, pp. 31-38.

[50] Ibid, p. 33.

[51] Ibid, p. 35.

[52] Walter Eddy, Secretary, Federal Reserve Board, memoranda to the Board summarizing Board motion regarding national currency retirement, December 1, 1924, and December 5, 1924.

[53] Freidman (no first name given), staff attorney, Office of the General Counsel, Treasury Department, to Bernard Bernstein, Assistant General Counsel, deliberative legal memorandum regarding failure of a national bank to surrender its circulation bonds and background on Secretary's authority to call the circulation bonds,, December 28, 1937. Records of the Bureau of the Public Debt, Entry UD-UP, Loans, RG 53/450/82/05/05 Box 1 Panama Canal file (unnumbered). U.S. National Archives, College Park, MD.

[54] Treasury Department Annual report 1928, p. 57.

[55] Goldenweiser, Emanuel, Director of research and statistics, Federal Reserve Board, memorandum "Effect on gold reserves of retirement of national bank notes," to Roy A. Young, Chairman, December 20, 1928. Federal Reserve Board document X-6208, Volume 29, pp. 403-410. https://fraser.stlouisfed.org

[56] Wikipedia, https://en.wikipedia.org/wiki/Emanuel_Goldenweiser

[57] Goldenweiser to Young, December 20, 1928.

[58] Ibid.

[59] Board of Governors of the Federal Reserve System, Meeting Minutes December 28, 1928, p. 5, Volume 15, Part 2.

[60] Ogden L. Mills, Undersecretary of the Treasury, to Secretary of the Treasury Andrew W. Mellon, January 17, 1929, memorandum on delaying elimination of national bank notes. Bureau of the Public Debt, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement, National Bank Notes Nov. 16, 1928-" U.S National Archives, College Park, MD.

[61] Ibid.

[62] Ibid.

[63] Ibid.

[64] Treasury Annual Report, 1929, p. 324, Exhibit 28, "Small-size currency."

[65] Ibid.

[66] Herman Oliphant, Treasury Department General Counsel, to T. J. Coolidge III, Undersecretary of the Treasury, January 4, 1935, re sharing Coolidge bond call memo with Jacob Viner. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

[67] Jacob Viner, professor, University of Chicago, letter to Herman Oliphant, Treasury General Counsel, January 2, 1935, re views on Coolidge bond call memo. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

[68] Ibid.

[69] Oliphant to Coolidge, January 4, 1935.

[70] Coolidge to Morgenthau, February 8, 1935, memorandum "March Financing." Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

[71] Coolidge to Broughton, undated annotated routing slip transmitting February 8, 1935 memorandum "March Financing." Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

[72] Coolidge to Morgenthau, February 8, 1935, Broughton annotation.

[73] Mellon letter to the Speaker of the House of Representatives, January 1929.

[74] Friedman to Bernstein, December 28, 1937.

[75] J. Forer, Treasury staff attorney, to Mr. Fuller (no first name given), Treasury attorney, internal deliberative memorandum regarding whether the 2 percent Panama Canal bonds were properly called, November 2, 1937.

[76] Senate Committee on Finance, hearing transcript, Committee on Finance, U.S. Senate, 74th Congress, 1st Session, re H.R. 4304, An Act to Amend the Second Liberty Bond Act, as amended, and for other purposes. January 29, 1935, pp. 3-7.

[77] Treasury Annual Report, 1935, p. 18.

[78] Senate hearing transcript, January 29, 1935, p. 6.

[79] Ibid, p. 10.

[80] Coolidge to Morgenthau, February 8, 1935, memorandum "March Financing."

[81] Coolidge to Morgenthau, March 5, 1935, memorandum "Calling Consols and Panama Issues bearing circulation privileges."

[82] Press Releases, Treasury Department, Vol. 14, Press Release on call for redemption of the 2 Percent Consols and Panama Canal Bonds, No. 4-47, March 9, 1935.

[83] Peter Huntoon and Andrew Shiva, Encyclopedia of U.S. National Bank Notes (2022), Chapter G1, p. 14, June 4, 2022.

[84] Press Releases, Treasury Department, Vol. 14, No. 4-47, March 9, 1935.

[85] New York Times, "Morgenthau's Radio Talk on Liberty Bond Call," April 15, 1935.

[86] Ibid.

[87] Committee on the History of the Federal Reserve System, American Currency and Banking History - Currency Problems: National Bank Notes, Entry 176, Box 10, Folder 4, Item 4 by Committee on the History of the Federal Reserve System (U.S.), 1956. File of various news articles on retirement of national bank notes 1915-1935, citing the United States Banker, January 1929, page 3. https://fraser.stlouisfed.org

[88] Edward C. Stokes, President, The First-Mechanics National Bank, Trenton, N.J., to J. F. T. O'Connor, Comptroller of the Currency, letter expressing disappointment in withdrawal of circulation privilege bonds, March 12, 1935. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.

[89] O'Connor response to Stokes, March 18, 1935. Records of the Bureau of the Public Debt, Series K Currency, RG 53/450/54/01/07 Box 15, Subject File "Currency – Retirement National Bank Notes, Nov. 16, 1928-" U.S. National Archives, College Park, MD.
[90] New York Times, "Consols Called for Redemption," March 12, 1935.
[91] Ibid.
[92] Ibid.
[93] Financial Chronicle, March 16, 1935, page 1706.
[94] New York Times, "End of Bank Notes Meets No Dissent," March 17, 1935.
[95] Ibid.
[96] Ibid.
[97] Federal Reserve Board, Washington, *Federal Reserve Bulletin*, July 1935, "Retirement of national-bank notes," pp., 415-6.
[98] Ibid.
[99] Ibid.
[100] Based on author's sampled review of Bureau of Public Debt files "Protests," and "Redemption in Gold (Protests)," Records of the Bureau of the Public Debt, Entry UD, Series B-BG, 2% Consols of 1930 and Panama Canal Loans etc.," RG 53/450/82/05/05 Box 2 file "Protests" 380.1. U.S. National Archives, College Park, MD.
[101] Broughton to Coolidge, October 22, 1935.
[102] Comptroller of the Currency, National Currency and Bond Ledgers for Charter 12570, Lincoln National Bank, Newark, New Jersey. RG 101/550/901/B19/4 Box 15. U.S. National Archives, College Park, MD.
[103] Coolidge to Federal Reserve Bank governors, May 17, 1935.
[104] Ibid.
[105] Broughton to Coolidge, May 11, 1935.
[106] Coolidge to Federal Reserve Bank governors, July 24, 1935.
[107] Treasury Annual Report, 1936, p. 46.
[108] Coolidge to Federal Reserve Bank governors, July 24, 1935.
[109] Coolidge to Marriner Eccles, July 30, 1935.
[110] L. M. Piser, Federal Reserve Board, to Mr. Thomas (no first name given), June 21, 1935. Memorandum "Retirement of national bank notes," advising on U.S. Treasurer's procedures for paying banks for the redeemed bonds.
[111] Treasury Annual Report, 1940, p. 809.
[112] Press Releases, Treasury Department, Treasury, Vol. 16, letter from Morgenthau Jr. to Coolidge, Release No. 6-72, January 17, 1936.
[113] Financial Chronicle, January 18, 1936, pp. 401-2
[114] Treasury Department Annual Report, 1937, p. xv.
[115] Meltzer, p. 531; and Levy, pp. 309-11.
[116] Time Magazine, January 25, 1943, p. 19.
[117] International News Organization, Washington D.C., photo with caption, September 5, 1940.