

Chapter D1

by
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Filthy Notes in Circulation and the Origin of Series of 1873 National Bank Circulating Notes

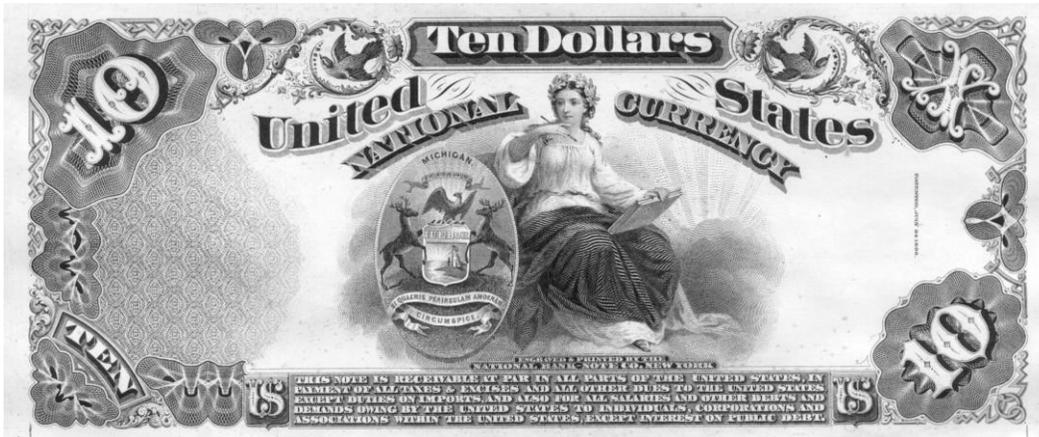


Figure 1. Proof of the back of a Series of 1873 \$10 national bank circulating note prepared by the National Bank Note Company. The state seal went in the oval and, more surprisingly, the Treasury sheet serial number was printed on the back during regular production.

INTRODUCTION

The origin of the unissued Series of 1873, including the actual delivery of 10-10-10-10 sheets for seven banks to the Comptroller of the Currency, was an outgrowth of the wretched condition of national bank notes in circulation in the early 1870s. However, the act calling for their production was misdirected against counterfeits. It took the carefully crafted Act of June 20, 1874, aimed squarely at redemptions of worn notes in circulation, to cure the real problem.

Counterfeits became a minor problem once effective means for redeeming worn notes from circulation were implemented. The Series of 1873 was determined to be superfluous, and was quietly dropped and forgotten.

This article focuses on the Series of 1873. However, that series was but one of a cascade of changes between 1873 and 1877 that impacted the design of national bank notes and who manufactured them, as Congress and the agencies tried to grapple with the poor condition of national bank notes in circulation, and the opportunistic growth of counterfeiting. Central to this story were revised procedures for removing unfit notes from circulation.

The following major and minor varieties on national bank notes were direct responses to the worn notes and subsidiary counterfeiting problems, so all are intertwined: (1) the Series of 1873, (2) part-plate printings in the Original Series, (3) the black charter number experiment, (4) overprinted charter numbers, and, ultimately, (5) the Series of 1875, (6) blue stained paper, and (7) cancelled subjects on plates. Each of these will be treated in turn in successive chapters, but this chapter will provide the overview.

Arguably, the 1873-7 period was the most dynamic period for change in the history of national bank notes.

WORN AND MUTILATED NOTES

The decrepit and filthy condition of national bank notes in circulation by the early 1870s was a national disgrace. Concerns were voiced in the media that handling the notes constituted a health hazard. In fact, recognition in the late 1800s that pathogens were a primary cause of disease, and that they traveled

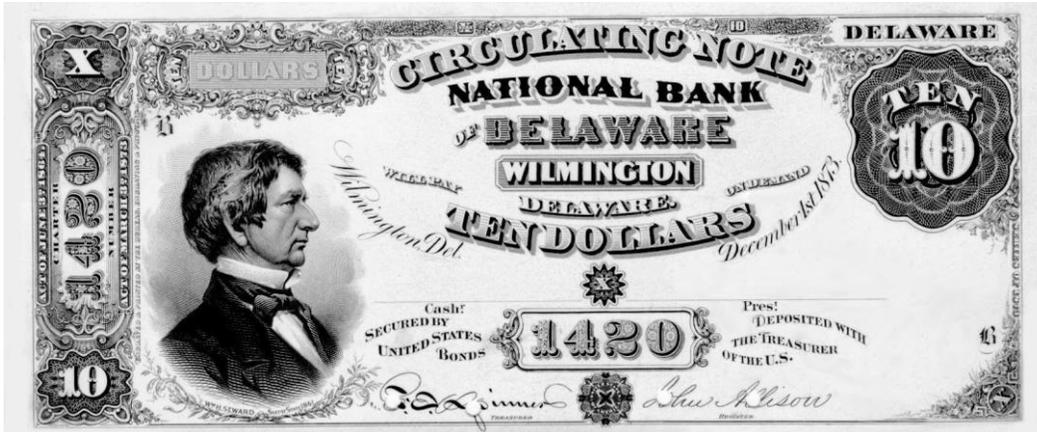


Figure 2. Face of a Series of 1873 circulating note. The face designs and plates were made by Bureau of Engraving personnel. National Numismatic Collection, Smithsonian Institution photo.

on paper money, became a major rallying cry for the suffrage movement, helping to galvanize agitation that would lead to the 19th Amendment passed in 1919, that gave women the right to vote. Dirty paper money ranked with unsanitary drinking water, untreated sewage and manure in streets as primary health issues that the feminists wanted to address once empowered with their votes.

The rotten condition of the notes had another liability; it made it easier to pass counterfeits.

The problem of heavily worn notes owed its origin to ineffective procedures built into the national bank act to cull tattered notes from circulation. The essence of the issue was that the work and expense for removing mutilated notes from circulation rested on the banks, not the Treasury. Bankers, being attuned to the bottom line, did what rational beings would do. Rather than redeem notes at a cost to themselves, they simply continued to pay them out over their counters!

Congress was taking heat from the public on the issue, and wanted something done about it. Pressure was building on then Comptroller John Knox to do something, but all he could do was make a plea that “The officers and depositories of the United States can render efficient service in purifying the currency, by sorting out all mutilated notes of the national banks and presenting the same to their agents in New York City and elsewhere, for redemption” (Comptroller of the Currency, 1872). Knox pointed out that redemptions for the year ending October 31, 1872, had reached an all-time high of over \$30 million, so if everyone cooperated, the entire national bank note circulation could be expected to turn over every ten years.

Even this rate of turnover was sorely deficient. Once the problem was solved, the turnover, in fact, occurred about every three years.

The fact is that Congress had failed to provide an effective means for removing unfit national bank notes from circulation in the National Bank Act. Once the national bank system was in operation, the bank lobby was not interested in incurring costs to the bankers for an appropriate remedy, so the debate on how to effectively solve the problem was obfuscated, passage of effective legislation to correct the problem was delayed, and the problem continued to fester.

In frustration, and unexpected by either the Comptroller of the Currency or the Secretary of the Treasury, activists in Congress attached the following rider to an act appropriating sundry civil expenses for the government for the fiscal year ending June 30, 1874:

For replacing the worn and mutilated circulating notes of national banking associations, and for engraving and preparing in such manner and on such paper and of such form and design as the Secretary of the Treasury may prescribe new circulating notes for such associations to replace notes of a design and denomination now successfully counterfeited, six hundred thousand dollars: Provided, That each of said national banking associations shall reimburse the treasury the costs of the circulating notes furnished under this provision.



This legislation was signed into law on March 3, 1873. It caused considerable consternation among the Secretary of the Treasury, the Comptroller of the Currency, and the banks. First, it demanded action in the form of preparation of a new national bank note issue. Second it blurred the authority for administering national currency. Existing law placed responsibility for national currency plate preparation, printing and distribution on the Comptroller of the Currency under the direction of the Secretary of the Treasury, whereas this new act shifted some of the burden directly to the Secretary of the Treasury. Third, it prescribed that the banks receiving the new notes had to reimburse the Treasury for the costs of their preparation, whereas previously those costs were paid indirectly by the banks through a 0.5 percent semiannual tax on their circulations.

ORIGIN OF THE SERIES OF 1873

When Congress speaks, as it did with the Act of March 3, 1873, the agencies jump. By April, Secretary of the Treasury William Richardson had directed the Chief of the Bureau of Engraving and Printing to prepare Series of 1873 \$10 plates.

The new series set a precedent for the production of national bank notes. New was that the Bureau of Engraving and Printing was given responsibility for designing and making the face plates, printing the faces, and adding all the overprints. Only the back engraving and back printings were contracted out to a private bank note company; specifically, to the National Bank Note Company of New York. Hessler (2004, p. 161) credits Bureau of Engraving and Printing engraver George W. Casilear with the face design, with the portrait of Seward being executed by Charles Schlecht.

Table 1 summarizes the directives given in the production of the Series of 1873 \$10s. All the face plates that were prepared carried a plate date of December 1, 1873, except those for Newark, New Jersey, that were dated November 2, 1873. The first and only deliveries arrived at the Comptroller's office on December 13, 1873, consisting of the 5,625 sheets for seven banks listed on Table 1.

THE SERIES IS KILLED

Comptroller of the Currency John Knox attacked the Series of 1873 in his 1873 annual report (Comptroller of the Currency, 1873, p. XLVII-XLIX) complaining of the confusion in authority for the series, and taking the side of the banks regarding its cost to them. He gave the problem of counterfeits considerable attention as follows.

* * * during the last ten years the notes of but thirty-seven banks, located in but nine states of the Union, have been counterfeited, and only forty-three plates, of the whole six thousand plates which have been engraved have been counterfeited.

* * *

A method, both simple and practicable exists, by which the issue of such counterfeit notes can be readily prevented, and that is by the withdrawal from circulation of such denominations of the genuine notes of national banks as have been counterfeited * * * most of the genuine notes would soon be retired, after which all genuine notes (except when presented to the Treasury or to the bank issuing them for redemption) would be refused along with the counterfeits. No additional notes of these denominations would thereafter be issued to the banks upon which counterfeits are known to exist.

Table 1. Chronology of directives in 1873 that led to the production of 10-10-10-10 Series of 1873 national bank circulating notes.

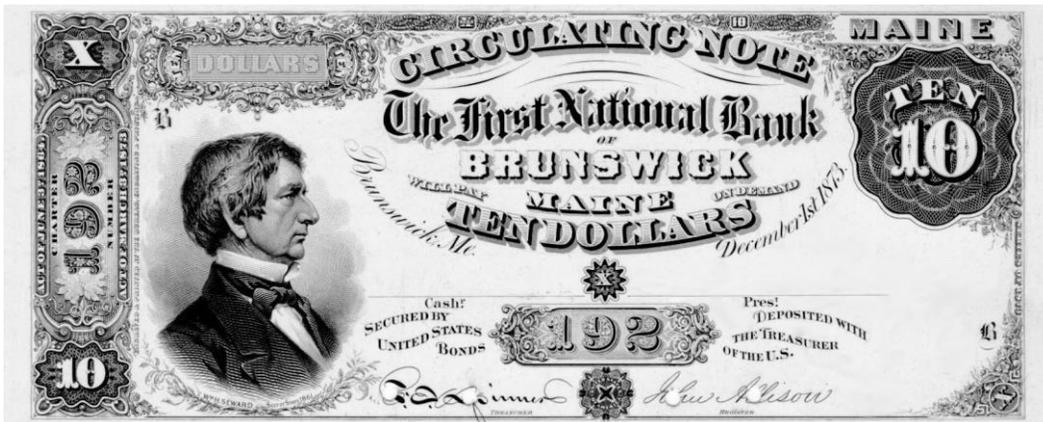
Data from Bureau of Engraving and Printing (various dates-a,b).

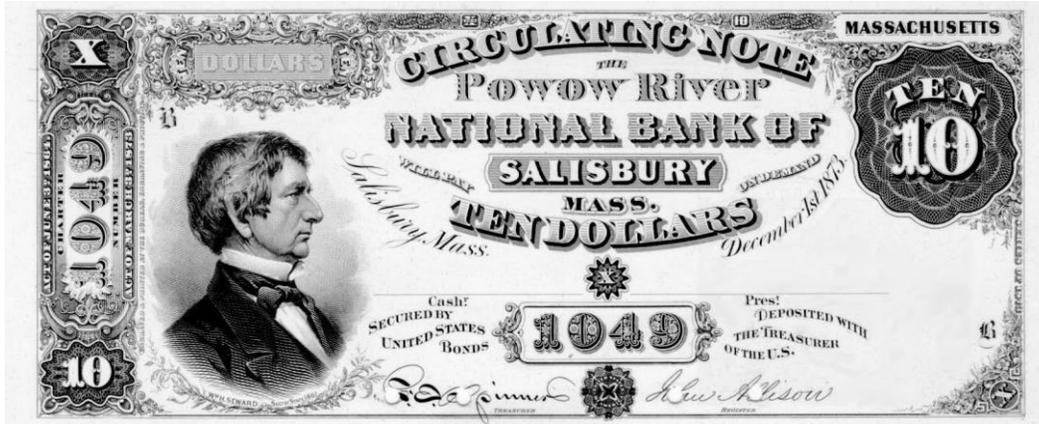
1873	Sheets	Bank	Location	Charter
Mar 3		Sundry appropriation act signed into law calling for preparation of "new circulating notes ... to replace notes ... now successfully counterfeited."		
Apr 12		Bureau of Engraving and Printing requests National Bank Note Company to prepare model of \$10 back.		
May 20		Bureau of Engraving and Printing suggests changes to back; directs National Bank Note Company to prepare first back plate for New York.		
Aug 5		Bureau of Engraving and Printing approves National Bank Note Company back; mentions paper is to have a localize blue fiber.		
Aug 26		Comptroller of the Currency advises Bureau of Engraving and Printing that bankers at the following banks desire to have notes printed:		
		Tenth NB	New York	NY 307
		Rock Island NB	Rock Island	IL 1889
		Holyoke NB	Holyoke	MA 1939
		NB	Lebanon	KY 1694
		Fourth NB	Providence	RI 772
		Third NB	Springfield	MA 308
		NB of Delaware	Wilmington	DE 1420
Aug 28		Comptroller of the Currency advises Bureau of Engraving and Printing that bankers at the following banks desire to have notes printed:		
		State NB	Memphis	TN 2127
		North Ward NB	Newark	NJ 2083
Aug 28		Bureau of Engraving and Printing directs National Bank Note Company to prepare back plates for:		
		Massachusetts		
		Illinois		
		Kentucky		
		Rhode Island		
		Delaware		
Aug 29		Bureau of Engraving and Printing directs National Bank Note Company to prepare back plates for:		
		Tennessee		
		New Jersey		
Sep 12		Comptroller of the Currency directs Bureau of Engraving and Printing to print the following:		
	2000 ^a	Tenth NB	New York	NY 307
	1000	State NB	Memphis	TN 2127
	1000	North Ward NB	Newark	NJ 2083
	500	Fourth NB	Providence	RI 772
	500	Powow River NB	Salisbury	MA 1049
	375	First NB	Brunswick	ME 192
Sep 13		Bureau of Engraving and Printing directs National Bank Note Company to prepare back plate for:		
		Maine		
Sep 16		Bureau of Engraving and Printing directs National Bank Note Company to print backs for:		
	5000	New York		
	2000	Tennessee		
	2000	New Jersey		
	1000	Rhode Island		
	1000	Massachusetts		
	1000	Maine		

Table 1, continued.

Oct 13	Comptroller of the Currency directs Bureau of Engraving and Printing to print the following:			
	1000	First NB	Marquette	MI 390
	1250	Mechanics NB	New Bedford	MA 743
Nov 10	Bureau of Engraving and Printing directs National Bank Note Company to print backs for:			
	1500		Michigan	
	2000		Massachusetts	
Nov 15	Bureau of Engraving and Printing requests of the Comptroller of the Currency instructions for numbering the following:			
	State NB	Memphis	TN	2127
	Fourth NB	Providence	RI	772
	Powow River NB	Salisbury	MA	1049
	First NB	Brunswick	ME	192
	First NB	Marquette	MI	390
	Mechanics NB	New Bedford	MA	743
Nov 18	Bureau of Engraving and Printing requests of the Comptroller of the Currency instructions for number of impressions and serial numbers for the following:			
	Rock Island NB	Rock Island	IL	1889
	Holyoke NB	Holyoke	MA	1939
	NB	Lebanon	KY	1694
	Third NB	Springfield	MA	308
	NB of Delaware	Willmington	DE	1420
Dec 13	Comptroller of the Currency office receives from Bureau of Engraving and Printing:			
	1250	Mechanics NB	New Bedford	MA 743
	1000	North Ward NB	Newark	NJ 2083
	1000	State NB	Memphis	TN 2127
	1000	First NB	Marquette	MI 390
	500	Powow River NB	Salisbury	MA 1049
	500	Fourth NB	Providence	RI 772
	375	First NB	Brunswick	ME 192
	5625			

a. There is no record that the 2,000 sheets for The Tenth National Bank of the City of New York, NY (307), called for in the September 12, 1873, order were received by the Comptroller's office, although the plate was made.





Knox recommended repeal of the provisions requiring the new notes in the 1873 act, or at least amending the act to have the costs of the notes borne by the government. He included further discouragement by estimating the cost of preparing new plates at \$1,000,000 and another \$1,000,000 to replace the notes in circulation with the new issues.

Secretary of the Treasury Richardson apparently read into the 1873 act discretion on the use of the series, and killed it. This decision appears to have been made sometime in late November, because the printings mentioned in the November 18th letter on Table 1 were not carried out.

THE PRINTINGS ARE FORGOTTEN

The 5,625 Series of 1873 10-10-10-10 sheets delivered to the Comptroller gathered dust in the vault of the Comptroller's Division of Issue for the next decade. They were forgotten until 1885, when the following interesting letter was sent (Bureau of Engraving and Printing, various dates-a). Incomplete as used here means without bank signatures.

Treasury Department
Office of the Comptroller of the Currency
July 16, 1885

Hon. E.O. Graves
Chief Bureau of Engraving and Printing
Washington, DC
Sir:

Upon taking charge of this office in May, 1884, 5625 impressions of incomplete national currency, all of plate 10-10-10-10, amounting to a face valuation of \$225,000, of a different design from any other incomplete national bank notes in this office was found in the vault of the Division of Issue.

The following is a brief description of the note: on the face is a vignette of Hon. Wm. H. Seward, dated Dec. 1, 1873, with charter number and bank number. On the back in the center is the coat of arms, charter number and Treasury number. The back appears to have been engraved by the National Bank Note Co. of New York, and from information at hand it appears that the incomplete currency was printed at the Bureau of Engraving and Printing for the following banks: 1250 impressions for The Mechanics National Bank, New Bedford, Mass., 1000 impressions for The North Ward National Bank of Newark, N.J., 1000 impressions for The State National Bank of Memphis, Tenn., 1000 impressions for The Marquette Nat. Bank of Marquette, Mich., 500 impressions of The Powow River Nat. Bank of Salisbury, Mass., 500 impressions of The Fourth Nat. Bank of Providence, R.I., and 375 impressions of The First National Bank of Brunswick, Maine.

For some reason the plate was not adopted, although the above incomplete notes were delivered to this office, Division of Issue, on Dec. 13, 1873, but I am unable to discover the reason for the preparation of this plate. For some reason unknown no entry was made on the vault balance books with the exception of a memoranda.

In this connection I hand you herein a statement of such facts in the case as can be obtained made to me at my request by Mr. E. S. Peck, Chief of the Division of Issue at the time the incomplete currency was received, which please return to me.

I have the honor to inquire if the records of the Bureau of Engraving & Printing give any further



information in relation to said currency, and if so I will be obliged if you will communicate to me the facts in the case, together with such suggestions as may occur to you in the matter.

Yours Respectfully,
 H. W. Cannon
 Comptroller.

Unfortunately, no copy of E. S. Peck’s memorandum was located; however, Graves’ August 1, 1885, reply was found that mentions that the Bureau had received the order to print these sheets on September 13, 1873 (Bureau of Engraving and Printing, various dates-a). Graves concluded his letter saying: “There appears to have been no formal written order given for the discontinuance of the work of these notes, but the work seems to have been discontinued under verbal instructions.”

The 5,625 10-10-10 Series of 1873 sheets remained in the Issue Division vault until 1887. The following entry appears in the index to the 10-10-10-10 ledger showing receipts from the engravers:

5625 impressions of a new design of this plate for sundry banks entered into balance May 27, 1887 and cancelled without entry in this book \$225,000.

This cancellation brought the curtain down on this most interesting series.

The 10-10-10-10 plate was the only Series of 1873 combination to see regular production. The Bureau of Engraving and Printing began work on \$1, \$2, \$5, \$20 and \$50 faces, and models and progress proofs from these dies are shown in Hessler (2004). Hessler created a sensation among national bank note collectors when he discovered and published the photos of these models and proofs.

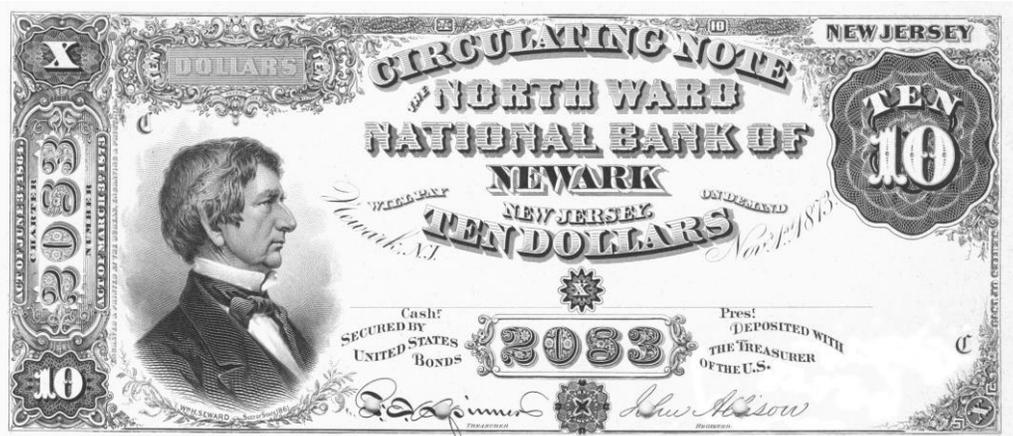
RELATED INNOVATIONS

It took more than a year after passage of the 1873 act before effective legislation addressed the redemption of unfit currency. The June 20, 1874 amendment to the national bank act streamlined redemption procedures, and transferred the burden for redemption to the government instead of the banks. The improved procedures are explained in the chapter on overprinted charter numbers on Original Series notes.

A number of steps were taken during the 1873-4 interim that resulted in national bank note varieties. Chief of the Bureau of Engraving and Printing George McCartee advised Comptroller of the Currency John Knox on July 31, 1873, that he had received a letter from Secretary of the Treasury William Richardson directing him to suspend printings of \$10 national bank notes because they were the most successfully counterfeited (Bureau of Engraving and Printing, various dates-a). This led to the Original Series part-plate printings of 1873-1874 where \$10 subjects were omitted from printings.

In the meantime, the Secretary and Comptroller began to help draft legislation that would address redemption procedures. The legislation they desired would require the government to sort huge quantities of national bank notes. Consequently, authorization was given to the Continental Bank Note Company to engrave charter numbers on \$5 Original Series face plates with the sorting job in mind. This experiment resulted in the black charter notes printed from plates made from November 1873 to May 1874.

In addition, five weeks before passage of the Act of June 20, 1874, the Comptroller directed the Bureau of Engraving and Printing to begin printing charter numbers on new orders for national bank notes.



When the act passed, with its language that charter numbers were to be printed on national bank notes “hereafter issued,” all the unissued Original Series notes in the Comptroller’s inventory were sent back to the Bureau so charter numbers could be added to them as well.

Counterfeits also were addressed during the 1873-4 period, but they were, in fact, a minor irritant. An effective means for dealing with them was to cease issuing the counterfeited subjects for the impacted banks, and leave the field to the counterfeits where they could be spotted easily by handlers using published counterfeit detectors. This led to part-plate printings to omit selected counterfeited subjects in the Original Series printings, and the very interesting practice of canceling selected counterfeited subjects on some Series of 1875 plates.

Sensitivity over counterfeits led to tightened security. One obvious step was to transfer at least part of the printing of national bank notes to the government, yielding the Series of 1875. Another was experimentation with different kinds of security paper in the manufacture of Series of 1875 notes.

Clearly, these intertwined responses changed the look and handling of national bank notes.

PATENT DATES ON \$10 SERIES OF 1873 NOTES

Two patent dates appear on the Series of 1873 \$10s, one on the face and the other on the back.

The one on the face is hidden in the scroll work above and below the panel containing “DOLLAR” above Seward’s portrait, which is where the bank sheet serial number was printed. It reads: “Casilear’s patent Nov 24, 1868” and refers to patent number 84,341 awarded to George W. Casilear for serial numbers with terminal characters or brackets printed on fine-line guilloche (Reed, 2008a).

A patent date of July 24, 1866 appears on the back of the \$10 in the open field to the left of the right border. Reed (2008a,b) reveals that this patent, that bears number 56,656, was awarded to James M. Willcox, a paper manufacturer in Glen Mills, Pennsylvania, for what is commonly called blue-end or blue-stained security paper that was made exclusively for the U. S. Treasury Department. It was first used for Series of 1869 legal tender rainbow notes and later for the early Series of 1875 national bank notes.

DISCUSSION

The Act of March 3, 1873 set in motion the production of the Series of 1873, a series primarily designed to replace successfully counterfeited national bank notes. However, the actual problem was not counterfeits, but rather the degraded condition of national bank notes in circulation.

The interesting and very beautiful Series of 1873 notes never circulated, rather they became a minor footnote in the imperfect manner in which Congress tried to communicate its frustration over the inability of the bureaucracy to get badly worn notes out of circulation. The actual culprit was a financially burdensome redemption procedure relegated to the banks that had been built into the National Bank Act by Congress!

The Series of 1873 established an important precedent for the Bureau of Engraving and Printing in that the Bureau was authorized to prepare the face plates for the series and print sheets from them. This set in motion the gradual transfer of all responsibility for engraving and printing associated with national bank



notes from the private bank note companies to the Bureau of Engraving and Printing during the next four years.

The description of the \$10 Series of 1873 provided by Comptroller Cannon in 1885 reveals that the bank sheet serial numbers were printed on the faces, over “DOLLARS” in the finely engraved panel in the upper left corner. The Treasury sheet serial number and a charter number were overprinted somewhere on the back. This is the only series of United States currency on which the Treasury serials were on the backs. The placement of the Treasury seal is unknown, but lacking room for it on the face, it may have been on the back as well.

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