

## Chapter E6

by  
Peter Huntoon

# National Banks that issued only Aldrich-Vreeland Emergency Currency



**Figure 1.** This note from Lumberton, North Carolina, holds the distinction of being issued from one of the few banks across the country that issued only Aldrich-Vreeland emergency currency during its entire existence. Heritage Auction archives photo.

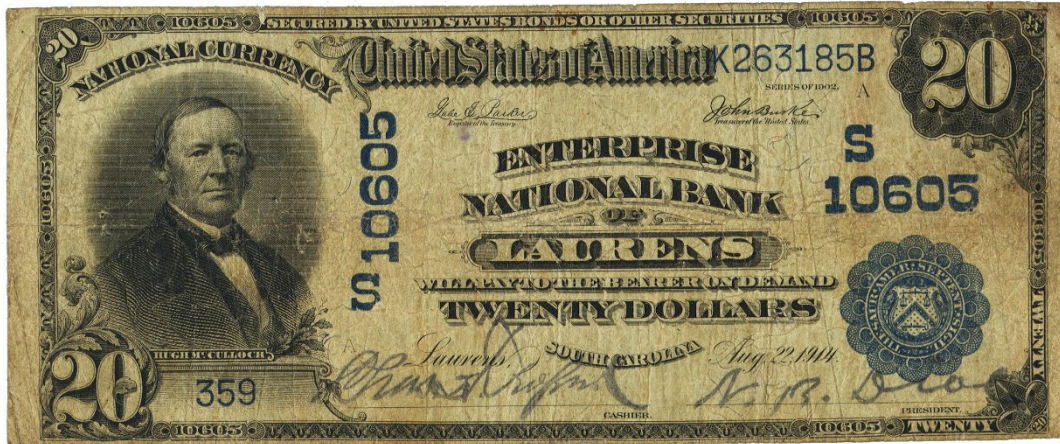
The purpose of this article is to document that a few national banks issued only Aldrich-Vreeland emergency currency during the note-issuing era and nothing else.

The Aldrich-Vreeland Act provided for the issuance of temporary infusions of national bank currency to provide elasticity to the national currency supply when needed. In its original form passed March 30, 1908, the Act reserved the privilege to receive emergency currency only to national banks that had existing circulations of traditional bond-secured currency. A Congressional amendment dated May 4, 1914 extended the privilege to banks that had not taken out circulation.

The 1914 amendment opened a window for the possibility that there might have been some bankers who took advantage of May 4, 1914 provision to subscribe only for emergency currency and subsequently never went on to issue traditional bond-secure currency during the remaining existence of their bank. Such circulations would have been short-lived, likely small, and thus create the opportunity for minuscule survival of such notes today.

### Background

The Aldrich-Vreeland Act—often called the Aldrich-Vreeland Emergency Currency Act—was passed March 30, 1908 in direct response to the ruinous Panic of 1907. A burning monetary concern swirling around national currency at the time was that it was flawed because it was inelastic. *Inelastic* meant that the volume of it in circulation was unable to expand and contract to accommodate seasonal fluctuations in the demand for currency or to adjust to mitigate economic shocks to the economy such as the bursting of the stock market bubble that was the cause of the Panic of 1907. The result was seasonal swings in interest rates that punished borrowers just as they needed loans. Worse, when monetary shocks hit, panicky depositors withdrew currency from banks just at the moment bankers needed increased liquidity to react to the bad news.



**Figure 2. The bankers at the Enterprise National Bank utilized three plate combinations to issue only Aldrich-Vreeland emergency currency during the short 1914-5 window when such a feat was possible. National Currency Foundation census photo.**

The problem with national currency was that the quantity of it was tied by law to the capitalization of the banks, a number that was static over the short term and thus unresponsive to the economy. At the time the Panic of 1907 came along, the maximum amount of circulation a national bank could issue was dictated by a provision in the Gold Standard Act of March 14, 1900. Specifically, the circulation could not exceed 100 percent of the paid-in capital stock of a bank. Consequently, the only way a bank's circulation could be increased was to increase its paid-in capital by raising money from its stockholders just at the time they most likely were trying to increase their personal liquidity to respond to the unfolding economic downturn.

The elasticity problem had plagued national currency since its inception so national bank currency was increasingly reviled by economists and Treasury officials alike.

What was needed was a mechanism where the money supply could be boosted when needed but contracted as soon as the need passed. The idea taking root in economic circles was to allow for the creation of additional national bank circulation when needed but tax the increase at a higher rate than the traditional bond-secured circulation. Thus, when the need for it came along, the bankers and their borrowers would be willing to pay higher interest rates to obtain it, but as soon as the need for it passed the high interest rates would cause them to liquidate the loans and drive it out of circulation.

Such a mechanism was built into the Aldrich-Vreeland Act. The bankers could obligate non-Federal government bonds and short-term commercial loans to the U.S. Treasury as collateral in order to receive so-called emergency infusions of their national bank notes to inflate the money supply.

However, the interest rate on the emergency currency was set too high so no one took advantage of the act. When World War I broke out, a liquidity crisis overran the U.S. economy as the Europeans scrambled to liquidate their U.S. investments in order to raise money to fund their war. What ensued was the export of large amounts of our currency. Congress passed in haste an amendment on August 4, 1914—the day Britain declared war on Germany—that liberalized the Aldrich-Vreeland provisions by dropping the interest rates on the emergency infusions, raising the total amount of such money that could be issued from a half billion to one billion dollars, and, central to this article, allowing bankers who had never taken out traditional bond-secured circulation to issue emergency currency. The latter was a minor nod to get even more emergency currency into circulation to help mitigate the liquidity crises that was unfolding.

The first emergency currency was issued on August 4, 1914; the last February 12, 1915. The need for it quickly subsided so by the time the Aldrich-Vreeland Act expired on June 30, 1915, all of it was being redeemed from circulation. However, when it was in use, the circulation of national bank notes spiked \$386 million to an all-time record high of \$1.1 billion, an increase of 50 percent.

**Table 1. Banks that issued only Aldrich-Vreeland emergency currency, the plates used with certification dates, sheets received and reported survivors. All are Series of 1902 date backs.**

| Ch No | Location |              | Bank                    | Plate       | Cert Date  | Issued | Reported Survivors  |
|-------|----------|--------------|-------------------------|-------------|------------|--------|---------------------|
| 10475 | MN       | St. Paul     | NB of Commerce in       | 10-10-10-20 | 8/29/1914  | 1-3010 |                     |
| 10513 | OK       | Ada          | Merchants & Planters NB | 10-10-10-20 | 9/30/1914  | 1-413  |                     |
| 10543 | SC       | Charleston   | Commercial NB           | 5-5-5-5     | 9/26/1914  | 1-1525 |                     |
|       |          |              |                         | 10-10-10-20 | 9/26/1914  | 1-1233 |                     |
| 10549 | TX       | Bynum        | First NB                | 5-5-5-5     | 9/19/1914  | 1-150  |                     |
|       |          |              |                         | 10-10-10-20 | 9/19/1914  | 1-135  |                     |
| 10593 | SC       | Woodruff     | First NB                | 10-10-10-20 | 9/12/1914  | 1-580  |                     |
| 10605 | SC       | Laurens      | Enterprise NB           | 10-10-10-20 | 9/19/1914  | 1-896  | \$20 K263185B-359-A |
| 10610 | NC       | Lumberton    | NB                      | 5-5-5-5     | 9/19/1914  | 1-945  | \$10 M531888-190-G  |
|       |          |              |                         | 10-10-10-10 | 9/19/1914  | 1-445  |                     |
|       |          |              |                         | 10-10-10-20 | 9/19/1914  | 1-349  |                     |
| 10617 | TX       | Honey Grove  | State NB                | 10-10-10-20 | 9/30/1914  | 1-982  | \$10 K815506B-640-B |
| 10643 | TX       | Clarksville  | City NB                 | 10-10-10-10 | 10/26/1914 | 1-828  | \$10-M825631-358-B  |
| 10646 | TX       | Quitman      | First NB                | 10-10-10-10 | 10/26/1914 | 1-530  |                     |
| 10647 | TX       | Petty        | Citizens NB             | 10-10-10-20 | 11/7/1914  | 1-392  |                     |
| 10651 | SC       | St. Matthews | St. Mathews NB          | 10-10-10-10 | 11/4/1914  | 1-2160 | \$10-M844781-458-A  |
| 10652 | SC       | Laurens      | Laurens NB              | 10-10-10-20 | 11/25/1914 | 1-949  |                     |

### Emergency-Currency-Only Issuers

In the cases of bankers who used only emergency currency, they had to receive all of it and then provide for its redemption within an 11-month window between August 4, 1914 when the first of it was issued and June 30, 1915 when the Aldrich-Vreeland Act expired.

Bankers had to submit statements of condition each year that were published in the Annual Reports of the Comptroller of the Currency. These listed their circulations. Those due for 1914 and 1915 were respectively dated September 12, 1914 and September 2, 1915. If a banker didn't apply for emergency currency until after September 12, 1914, their entire emergency currency infusion is invisible to us from the annual reports because their circulation for 1914 would show as zero. Thus, the banks of interest to us never reported any circulation.

The question is, how could we find them? The following screening procedure did the job.

1. The banks had to be organized after passage of the Federal Reserve Act of December 23, 1913 in which the requirement that national banks purchase bonds to secure circulations was repealed.
2. The banks had to be chartered before the Aldrich-Vreeland Act expired on June 30, 1915 so they would be eligible to obtain emergency issues as provided for in the Act of August 4, 1914.
3. All circulation reports in the annual reports of the Comptroller of the Currency for the lives of the banks had to be zero except for 1914 for those chartered before the September 12, 1914 reporting call date.
4. The banks had to issue only Series of 1902 date back notes according to the Van Belkum issuance data.

This screening criteria excluded all pre-1914 banks, which of course eliminated all Series of 1882 issuers. Our list boiled down to the thirteen Series of 1902 date back-only issuers listed on Table 1.

The National Currency and Bond Ledgers housed in the National Archives were consulted for two of the banks listed on Table 1 to determine if in fact they issued only Aldrich-Vreeland emergency currency. The two were Laurens, South Carolina, charter 10605, and Clarksville, Texas, charter 10643. The ledger pages have a box where all security deposits and withdrawals are recorded by the dollar amount of currency represented and the type of security. The Aldrich-Vreeland emergency currency entries are labeled "M.S. sec 1" which stands for miscellaneous securities as per Section 1 in the Aldrich-Vreeland Act.





**Figure 3. A proof of a note issued by a small-town bank in Texas that issued only Aldrich-Vreeland emergency currency. This bank is not known to be represented by a surviving specimen. Survivors from such banks are uniformly rare. National Numismatic Collection**

There was no ambiguity. The records for both banks reveal that only emergency currency was sent to the two banks.

Laurens is the county seat of Laurens County in northwestern South Carolina. The town had a population of 9,139 in 2020. Enterprise National Bank of Laurens was chartered August 31, 1914 and liquidated March 20, 1924 when it was succeeded by Peoples Enterprise Bank of Laurens. The bankers there made three deposits inclusive of October 5 and November 6, 1914 labeled M.S. sec 1 in order to draw a total of \$41,000 worth of emergency currency. Deposits by them of lawful money to redeem the emergency currency and release the lien of the United States against their securities were received inclusive of February 20 and April 30, 1915. Series of 1902 10-10-10-20 sheets 1 through 820 were sent to them to cover their requisitions. They also received sheets 821 through 896 to replace worn notes redeemed from circulation before the liability for the redemption of their emergency currency was assumed by the U. S. Treasurer once their liens had been released.

Clarksville is the county seat of Red River County in the northeastern corner of Texas below the eastern Oklahoma line. The town had a population of 1,857 in 2020. The City National Bank of Clarksville was chartered October 17, 1914 and placed in receivership March 9, 1925. The bankers made one deposit of \$30,000 labeled M.S. sec 1 on November 6, 1914 and withdrew it April 30, 1915. Series of 1902 date back 10-10-10-10 sheets 1 through 750 were shipped to them on November 10, 1914 to cover their deposit. Between February 2 and April 29, 1915, sheet serials 751 through 828 were sent as replacements for worn notes redeemed from circulation before their liens had been released.

Quite obviously, the chain of circumstances that transpired to land a bank on Table 1 proved to be a curious freak of economics. It would be interesting to understand what motivated the bankers to get involved and how they profited from such a short-term enterprise. It is not lost that the majority of players were in the Carolinas and Texas. Undoubtedly there is a backstory there that hints at some guiding external influence by a correspondent bank or syndicate of investors. The banks survived the play and continued in business so availing themselves of the Aldrich-Vreeland opportunity did not turn out to be the sole reason for organizing them. I simply haven't found documentation that answers these questions.

#### **Implications for Survival of Notes**

The number of notes issued by a bank and the antiquity of those releases are the primary factors that dictate survival. Obviously, survival decreases the smaller the issue and the older. The issuances by the banks on Table 1 were small and their 1914-5 release dates early enough to seriously negatively impact survival. The brevity of the releases; specifically, some fraction of the few months bridging 1914-5, were very short, which also is a negative.

The available census data bears out this state of affairs. The serial numbers of all the notes reported in the National Currency Foundation census for these banks appear on Table 1. A paltry one note is reported from each of only five banks of the thirteen on the list.

#### **Sources of Data**

Bureau of Engraving and Printing, 1875-1929, Certified proofs lifted from National Bank Note printing plates: National Numismatic Collection, Smithsonian Institution, Washington, DC.

Comptroller of the Currency, 1863-1935, Annual Reports of the Comptroller's of the Currency: U.S. Government Printing Office, Washington, DC.

Comptroller of the Currency, 1863-1935, National Currency and Bond Ledgers: Record Group 101. U.S. National Archives, College Park, MD.

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