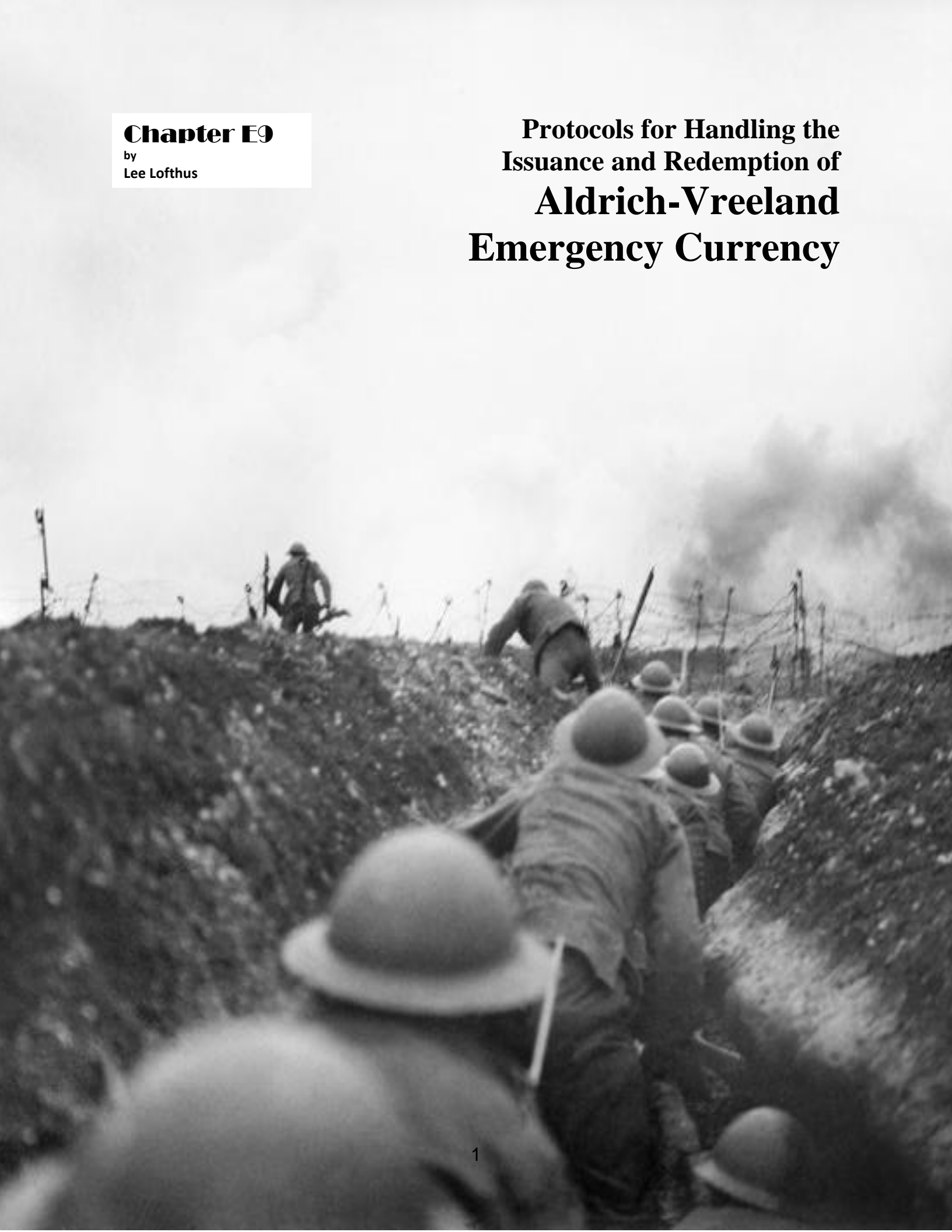


**Chapter E9**

by  
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**Protocols for Handling the  
Issuance and Redemption of  
Aldrich-Vreeland  
Emergency Currency**



## Objectives

The purposes of this article are to place the passage of the Aldrich-Vreeland Emergency Currency Act of 1908 into its historic context and to explain how the issuance and redemption of the emergency currency authorized by the act worked.

The handling of Series of 1882 and 1902 date back notes authorized by the act imposed new challenges on the Treasury, the solutions for which were either spelled out in the authorizing legislation or policies implemented by Treasury officials during their use.

There were three important new considerations. (1) How were the new notes to be phased in? (2) How did the act provide for the notes to be readily available on short notice to the subscribing banks? (3) How did Treasury attempt to avoid wasting perfectly good sheets that were returned when the bankers redeemed their emergency emissions?

The procedures associated with items 1 and 2 above were spelled out in the Aldrich-Vreeland Act. Item 3 was handled through a Treasury Department policy decision. This article naturally lends itself to a three-part structure defined by the protocols that governed how the emergency currency was handled.

## Terminology

*Aldrich-Vreeland Emergency Currency Act*, named for the sponsors of the act, is the most commonly used handle attached to the act, as is *emergency currency* for the currency authorized by it. This nomenclature has been with us since the act was passed. Emergency currency was widely used among the work force of the various Treasury offices including the clerks in the Comptroller's Issue Division who wrote EC next to entries for the currency in their ledgers.

The formal name for the act in the U.S. Statutes is the non-descript "*An Act To amend the national banking laws*" (Statutes, AV Act).

The term *additional circulation*, referring to currency backed by securities other than U.S. Treasury bonds, was the preferred term by the top Treasury officials and many bankers instead of *emergency currency* and appeared in Treasury press releases. Of course, the bland term *additional circulation* was used to avoid alarming a jittery public.

For the purposes of this article, Aldrich-Vreeland Act will be used as the title, and emergency currency will be used because that is what the act was about. Besides, emergency currency is far more catchy than additional circulation.

## Introduction

The Treasury Department and the nation's national banks took extraordinary measures after war broke out in Europe in August 1914 to avert a banking panic in the United States. Using authorities granted by Congress in 1908, and expanded in December of 1913 and again on August 4, 1914, Treasury injected \$386 million in emergency currency into the national banking system during the 28-week period spanning August 4, 1914 to February 12, 1915. The largest amount of this money in circulation at any one point was \$363 million. (Treasury, 1914, p. 530-531).

The mechanism used to create the emergency currency was to allow the bankers to receive additional, but short-term, national bank note issuances using softer securities than U.S. Treasury bonds. These included liens against short-term commercial loans, non-Federal government bonds and other short-term commercial paper that the bankers controlled as backing for loans they made. The emergency currency was taxed at a higher rate than traditional U.S. Treasury bond-secured national bank notes, so there was a strong incentive for the bankers to redeem it as soon as it no longer was needed.

As war in Europe became inevitable, it was anticipated that the crisis could lead to bank runs and hoarding of cash with the potential to cripple the U.S. economy. An emergency currency

infusion under the act began just 8 days after the outbreak of the war, ultimately increasing the outstanding national bank note circulation from \$751 million to \$1.1 billion dollars, a 50% increase (Treasury, 1915, p. 577).

The purpose of the currency was to provide the subscribing banks with liquidity in the form of newly created money. A major value of the emergency currency being made available to the banks was its calming effect on depositors. The emergency currency, which was designed to have a short life, also provided the bankers with a temporary pool of funds that offset money withdrawn from commerce through hoarding by the public. Thus, the emergency currency afforded bankers the opportunity to make short-term loans required to keep the economy humming when it was needed most to tame jittery nerves. The collateral backing those loans served as the security backing the emergency currency,

### **Banking Panic in Europe**

World War I began in Europe on July 28, 1914 when Austria-Hungary declared war on Serbia. This set off a chain reaction of war declarations across the continent. Germany invaded Belgium on August 4th.

Unease in European banks had begun earlier that summer after Archduke Ferdinand and his wife Sophie were assassinated on June 28. Full-scale bank runs ensued in Berlin, Paris and other European cities (Hepburn, 1914, p. 437; NYT, Jul 28, 1914 & Aug 7, 1914).



**Figures 1 and 2. As war broke out, European depositors feared for their savings. At top, a crowd gathers outside the Bank of France in Paris. At bottom, a run on a Berlin bank after Germany's war declaration. Similar desperate scenes played out in other European cities. Library of Congress photos LCN 2014697205 and 2014697046.**



Congress and the U.S. Treasury Department were determined not to let the European banking contagion spread to the United States. Treasury officials were already well aware of the looming as the European nations had spent the summer liquidating their securities in the United States for gold, thus drawing Treasury gold supplies to ominously low levels (Treasury, 1914, p. 34; Hepburn, p. 434, 438). American commercial banking would be next to feel the strain. Fortunately, the Treasury Department had the tool it needed in the Aldrich-Vreeland Act to avoid a crisis at home.

### The Aldrich-Vreeland Act

The Aldrich-Vreeland Act was passed May 30, 1908 in the wake of the disastrous Panic of 1907 during which the inability of the Treasury to forestall an all-out monetary crisis was laid bare. Instead of the Treasury stepping up, New York banker J.P. Morgan mobilized a rescue of the economy from total collapse.

The 1908 Aldrich-Vreeland Act rather clumsily introduced elasticity into the national bank note supply. Elasticity is the ability of a class of currency to expand or contract as economic conditions warrant without disruption of the economy.

The act was viewed in Congress as an experiment. Thus, it came with a sunset provision where its terms expired on June 30, 1914 (Statutes, AV Act, Sec. 20).

The emergency provisions in the Aldrich-Vreeland Act lay dormant for six years because no dire financial stress materialized and the tax rates on the emergency currency were sufficiently high that they deterred bankers from casual use of the authority.

The Federal Reserve Act was signed December 23, 1913 by Woodrow Wilson, a landmark achievement that gave the nation a true elastic currency (Meltzer, 2003, p. 69-71; Malburn, Feb 18, 1915). Congress and Treasury anticipated a gradual start-up for the new system so fortunately included in the Federal Reserve Act was a provision that extended the



**Figure 3. The date back national bank note design had been introduced by Treasury after the passage by Congress of the Aldrich-Vreeland Act in 1908. Both Series of 1882 and Series of 1902 date backs were issued. However, none were issued as actual emergency currency until the war began in Europe in summer 1914. This particular note is a true emergency note. It was issued to the bank August 10, 1914, in one of several emergency shipments made that August after the bank deposited \$1.5 million of “other securities” with the National Currency Association of the Twin Cities, St. Paul, Minnesota. Heritage Auctions Archives photo.**

Aldrich-Vreeland Act for another year to June 30, 1915. Thus, the elasticity built into it could serve as a cushion until the Federal Reserve system became operational (Meltzer, 2003, p. 74, 82).

The Aldrich-Vreeland Act suddenly came into sharp focus with the outbreak of the European war. On August 4, 1914, Congress hastily passed an amendment that liberalized its terms. Key provisions were that the limit on the emergency currency that could be created was raised from \$500 million to \$1 billion and the tax rate on it was reduced. Unlike the Panic of 1907, this time the Treasury was prepared. National banks would ameliorate the risk of a potentially crippling monetary stringency in 1914 through the timely infusion of emergency currency. Other actions were taken as well, among them closing the Stock Exchange until December 1914 and expanding use of New York clearing-house loan certificates (Kane, 1922, p. 446-447).

### **National Banking Associations**

Treasury officials were prescient enough as the Aldrich-Vreeland Act was being drafted to comprehend that a serious emergency would overwhelm Treasury's ability to manage a solution. Accordingly, the act brought the national banks into the equation with a broader role than they played in their ordinary national bank note issuances.

Two means were made available for national bankers to obtain emergency currency. The preferred was to join a regional National Currency Association, which had the authority to accept from the bank a broad range of financial instruments to back its emergency currency. The association would vet the quality of the security deposit and hold it in trust for the United States. The other option was for an individual bank to deposit non-Federal bonds directly with the U.S. Treasurer.

In the end, less than \$1 million of the \$386 million in emergency currency was backed by individual bank deposits with the U.S. Treasurer (Treasury, 1915, p. 577). The heavy lifting was accomplished through the regional associations.

Several national currency associations were formed in 1908, but they were inactive owing to lack of need. By January 1914, only 21 had been organized. However, as European tensions intensified, their number ballooned to 45. Forty-one ultimately applied for emergency currency on behalf of their members. Nine states had no representation; specifically, Maine, Vermont, Rhode Island, Delaware, South Dakota, Montana, Wyoming, Idaho and Nevada. (Williams, 1915, p. 45).

Out of a national total of 7,578 national banks 2,197 had association memberships, of which 1,359 received emergency currency. (Williams, 1914, p. 62; Treasury, 1915, p. 531).

### **Other Securities**

The following types of securities were permitted to back the emergency currency as specified in regulations promulgated by the Treasury Department: commercial paper up to 75% of cash value; state, city, town, county or other municipal bonds up to 85% of value; miscellaneous securities up to 75% of value; and warehouse receipts up to 75% of value (Treasury, 1915, p. 578).

Warehouse receipts were very important to southern bankers who carried large loans on cotton and tobacco. The southern economy would have been at significant risk had the Treasury not made provisions for the bankers to back emergency currency with warehouse receipts even though they ultimately represented only \$6 million in emergency currency issues (Treasury, 1914, p. 531).

Treasury Secretary William McAdoo issued the following statement on August 27, 1914.

CERTIFICATE OF FORMATION OF A NATIONAL CURRENCY ASSOCIATION.

The National Currency Association of the Twin Cities.

City St Paul, State Minnesota

Date, Oct 13, 1910 \*

The national banking associations whose names are subscribed to this certificate, uniting to form a voluntary association to be designated a national currency association under the act of Congress approved May 30, 1908, entitled "An Act to Amend the National Banking Laws," hereby make and file this certificate for that purpose, and they severally certify as follows:

1. The national banking associations composing this national currency association are the national banking associations whose names are subscribed to this certificate.

2. The principal place of business of this national currency association is St Paul Minn.

3. The name of this national currency association is "The National Currency Association of the Twin Cities", which name shall be subject to the approval of the Secretary of the Treasury.

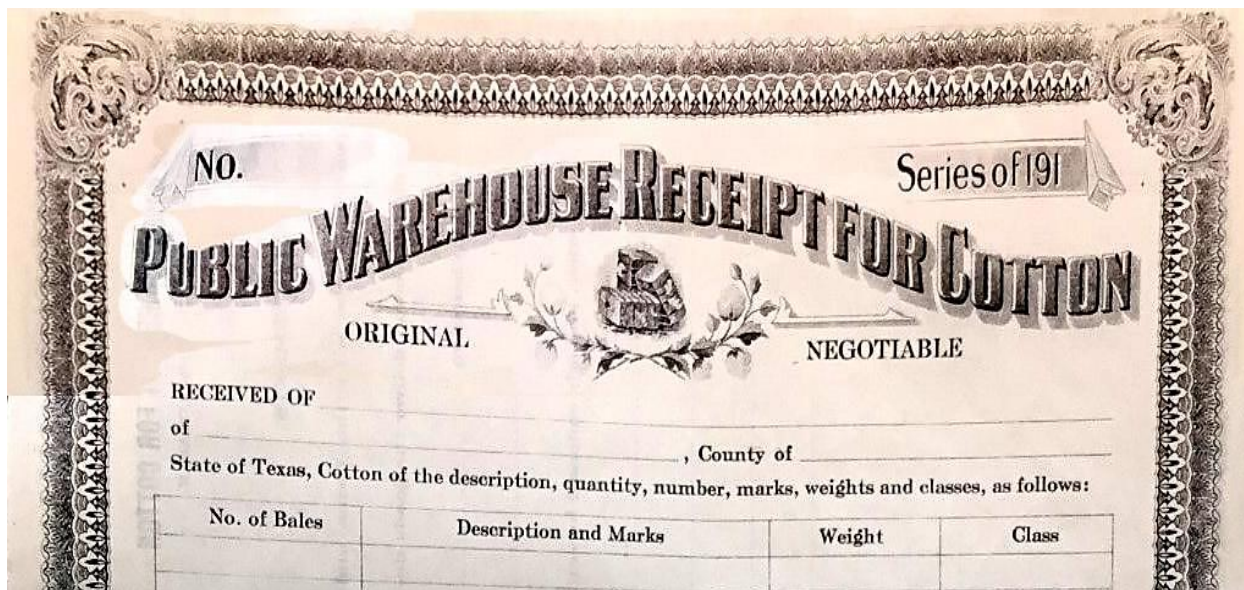
4. The national banking associations composing this national currency association are not less than ten in number, and have an aggregate capital and surplus of at least five millions of dollars.

And they severally certify, each for itself and not one for the other, that each of the national banking associations composing this national currency association has an unimpaired capital, and a surplus of not less than twenty per centum.

In witness whereof, the following-named national banking associations have, by their presidents or vice-presidents, such officers acting under authority from their respective boards of directors, in pursuance of resolutions adopted by said respective boards of directors, duly authenticated copies of which resolutions are hereto attached, executed this certificate on this \_\_\_\_\_ day of \_\_\_\_\_, 191\_\_\_\_\_ ?

NAME OF BANK.	SIGNATURE OF PRESIDENT OR VICE-PRESIDENT.
<u>The National German American Bank</u>	by <u>J. W. Lusk</u> President.
<u>St Paul Minn</u>	by <u>D. S. Culver</u> Vice President.
<u>The Capital National Bank of Saint Paul</u>	by <u>John Smith</u> President.
	by <u>N. A. Geary</u> Vice President.
<u>First National Bank</u>	by <u>Wm. N. Phipps</u> President.
<u>Audson Sts</u>	by <u>Otto August</u> Vice President.
<u>Stockyards Nat Bank St Paul</u>	by <u>J. H. ...</u> President.

Figure 4. The national banks had to formally apply to Treasury to form a national currency association. Above is part of the first page of the certificate signed by the presidents of the national banks joining the Twin Cities, Minnesota, association. The associations were responsible for verifying the value of the "other securities" placed on deposit with them for emergency circulation. BPD (1914-1915).



**Figure 5. Cotton warehouse receipts were acceptable “other securities” that could be used as backing for emergency currency. These were of particular importance to the southern currency associations. This is the top part of a warehouse receipt widely used by Texas growers. BPD (1914-1915).**

Among the eligible securities to be used as a basis for the issue of currency I have decided to accept from national banks, through their respective national currency associations, notes secured by warehouse receipts for cotton or tobacco having not more than four months to run, at 75 per cent of their face value. \* \* \* This plan ought to enable the farmers to pick and market the cotton crop if the bankers, merchants, and cotton manufacturers will cooperate with each other and with the farmers, and will avail of the relief offered by the Treasury within reasonable limits. Such cooperation is earnestly urged upon all these interests. (Treasury, 1914, p. 11).

#### **Emergency Currency Design Changes**

It is crucial to recognize at the outset that the Aldrich-Vreeland Act was introducing a new class of national bank notes that were secured by financial instruments that were classified as inferior to United States bonds. As such, Section 11 of the act required that the notes be redesigned to incorporate language to this effect as follows.

In order to furnish suitable notes for circulation, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved \* \* \*, and shall have printed therefrom, and numbered, such quantities of circulating notes, in blank of the denominations of five dollars, ten dollars, twenty dollar, fifty dollars, one hundred dollars, five hundred dollar, one thousand dollars, and ten thousand dollars. \* \* \* Such notes shall state upon their face that they are secured by United States bonds or other securities.

Then-Secretary of the Treasury George Cortelou also instructed the BEP to alter the back designs to further differentiate the notes. Thus, were born the Series of 1882 and Series of 1902 designs known to numismatists as date backs, because they respectively carried “1882-1908” or “1902-1908” boldly on their backs (Treasury, 1908, p. 45-46).

Furthermore, the act required that stocks of the emergency notes be printed for every national bank so they could be available on short notice, the following also from Section 11.

The Comptroller of the Currency \* \* \* shall as soon as practicable cause to be prepared circulating notes \* \* \* equal to fifty per centum of the capital stock of each national banking association.

However, there was no way to predict which national banks would subscribe for

emergency currency. Consequently, all the issuing banks received the new currency whether the bankers subscribed for it or not. The legality of allowing the use of the new currency for all banks was justified by acknowledging that if the new notes were issued from banks solely with conventional United States bond backing, no harm would be inflicted on the note holder because that backing was superior to the “or other securities” specified on the notes (Malburn, Mar 12, 1915). This view also dispensed with the practical problems associated with simultaneously issuing two different varieties of notes to the same bank, one for their U.S. bond-secured notes and the other for their “or other securities” notes.

The crash printing of the required stockpile of date notes placed an enormous burden on the Bureau of Engraving and Printing. Nearly 10,000 face plates had to be altered to carry the “or other securities” clause. New back plates of the date back designs had to be created and made for the Series of 1882. Dates had to be added to existing Series of 1902 back plates as well as new back plates that were made. In all, the Bureau turned out half a billion dollars’ worth of date backs to satisfy this requirement in fiscal year 1909 (Ralph, 1909, p. 4). This volume was produced on top of the quarter billion-dollar normal printing of national bank notes during that period. Consequently, the volume of national bank notes printed during fiscal year 1909 tripled over 1908.

### **Protocol 1: Phasing-in the Date Back Notes**

**“The Comptroller of the Currency may issue national bank notes of the present form until plates can be prepared and circulating notes issued. \* \* \* That in no event shall bank notes of the present form be issued to any bank as additional circulation provided for by this Act” (Statutes, AV Act, Section 11).**

The first date back Series of 1882 and 1902 notes were delivered to the Comptroller of the Currency’s office from the Bureau of Engraving and Printing on August 1 and June 15, 1908, respectively. The last printings of the predecessor Series of 1882 brown backs and 1902 red seals arrived on March 23, 1909 and December 15, 1908, respectively (Huntoon, chapter E1).

Following protocol, the Comptroller’s office continued to issue the 1882 brown back and 1902 red seals to the banks until those stocks ran out unless the bank subscribed for emergency currency. During that era, the Comptroller’s stock of sheets used to replace worn notes withdrawn from circulation typically averaged about a years’ worth of notes. Consequently, for the majority of banks, their stock of the old variety was depleted before the end of 1909. Of course, the dates of depletion varied between the banks.

Similarly, the dates of depletion of the different sheet combinations for a given bank that used more than one combination also varied. A good example is from The Stock Growers National Bank of Cheyenne, Wyoming, charter 2652. The last 5-5-5-5 and 10-10-10-20 brown back sheets were sent to the bank on February 15, 1909 and June 25, 1908 respectively; the first of the 1882 date backs on February 15, 1909 and October 19, 1908. Between June 1908 and February 1909, shipments to the bank consisted of a mix of 1882 5-5-5-5 brown back and 1882 date back 10-10-10-20 sheets, sometimes in the same shipment. (CofC, 1863-1935).

Important in this context is that the first draw for emergency currency occurred on August 4, 1914. No banks have been identified for which stocks of 1882 brown backs or 1902 red seals lasted that long. If such cases do exist, the changeover to the date backs would have occurred with the first shipment of emergency currency to the bank as per protocol.

A factual irony is that all the date back notes that entered circulation between 1908 and August 1914 were 100% U.S. bond-secured notes no different in legal standing than the Series of 1882 brown backs and Series 1902 red seals that they succeeded.



### **The \$500,000,000 Stockpile**

The half billion dollars' worth of Series of 1882 and 1902 date back notes printed to create the stockpile of emergency currency deserves attention. The initial stockpile consisted of individual printings for each issuing national bank amounting to 50 percent of their capital stock. It was printed in fiscal year 1909. At that time, the sheets were delivered to the Comptroller of the Currency's office in Washington, DC where the printings were added in sequence to the remaining pre-date back varieties maintained for each bank.

This was not a static inventory of currency locked away in some Treasury vault. Rather, it was a fluid working trove that was continuously tapped and replenished. The inventories for the individual banks continued to be drawn down in sequential order as notes were needed to replace worn notes withdrawn from circulation and for routine increases of bank circulation. Inventories also were created for new banks.

The Comptroller's clerks continually ordered new printings that were appended to the bank inventories to offset the draws in order to maintain the dollar value of the stockpile. Those demands totaled an average of \$472 million per fiscal year during fiscal years 1910 through 1914. This meant that the half billion-dollar stockpile was in fact almost turning over each fiscal year.



**Figure 6. Vault #10, one of the Comptroller's Issue Division vaults. National bank note sheets totaled \$250 million in the vault at the time of this 1914 photo. The sheets are wrapped in heavy brown paper for protection. Charter numbers are penciled on the ends of the packages for ease of retrieval by the vault clerks. Orders of emergency currency from August to October 1914 packed vaults like this unless the sheets were shipped directly to a subtreasuries. Library of Congress photo LCN 2016852709.**

Consequently, when the stockpile was called upon in August 1914, most of the notes in it had been printed within fiscal year 1914, not 1909.

One of the issues faced by Treasury was that its half billion-dollar stockpile in August 1914 was heavily weighted with inventories for 6,219 banks that didn't subscribe for emergency currency. The primary users of it among the 1,363 banks that did subscribe were big city banks. However, the part of the stockpile carried for the large banks proved to be sorely inadequate. Consequently, the Bureau of Engraving and Printing was continually pressed to execute rush orders to cover those deficiencies, which ultimately totaled about \$300 million. Those rush orders amounted to 3/5ths of the value of the stockpile.

### **Protocol 2: Available on Short Notice**

**“[Date back] notes to be deposited in the Treasury or in the subtreasury of the United States nearest the place of business of each association, and to be held for such association, subject to the order of the Comptroller of the Currency, for their delivery” (Statutes, AV Act, Section 11).**

Traditionally, printings of national bank notes were received by and stored at the Comptroller of the Currency's vaults in the main Treasury building in Washington, DC. Shipments to the banks were made from there as required. The framers of the Aldrich-Vreeland Act wanted to speed delivery of the emergency currency to the banks. To cut transit time, they wanted the stocks to be moved as close to the banks as possible, but still held under the control of the Treasury until requisitioned. Storage of the notes at the existing subtreasuries around the country satisfied this objective.

The Treasury Department operated nine regional subtreasuries to help it issue and redeem currency. They were located in Boston, New York, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis, New Orleans and San Francisco. Each was administered by an Assistant Treasurer (Treasury, 1920, p. 167-169).

The hastily printed half billion dollars' worth of date backs during fiscal year 1909 were delivered to the Comptroller's office. There is no evidence that any of this stockpile was distributed to the subtreasuries before 1914. Treasury officials did not violate the Aldrich-Vreeland Act by not immediately moving the date backs to the subtreasuries. Instead, they used a technicality afforded by a careful reading of the act to delay doing so. Specifically, the language in the act was “to be deposited in the Treasury or in the subtreasury” (Statutes, AV Act, Section 9). The operative word was “or.” The \$500,000,000 in the Comptroller's vaults in Washington was in the Treasury so it satisfied the language of the act.

The Treasury mobilized as war clouds gathered over Europe. A Treasury press release on July 31, 1914 advised “We are keeping in touch with the situation. The Treasury Department will help as far as it legitimately may in New York or any other part of the country where it becomes apparent assistance is needed. \* \* \* It must be remembered that there is in the Treasury [in Washington], printed and ready for issue, \$500,000,000 of currency, which the banks can get upon application under law” (Treasury, 1914, p. 2; NYT, Aug 1, 1914). Pre-staging sheets in the subtreasuries did not begin until August 4th.”

On August 3rd Treasury Assistant Secretaries Charles Sumner Hamlin and William Peabody Malburn, as well as Comptroller of the Currency John Skelton Williams were on duty at the New York subtreasury to emphasize that the Treasury was ready to assist the banks with



emergency currency. New to them was that the sheets were no longer going out in numerical order, which made their ledgers messy and harder to prove. Heavy reliance was made on dollar totals rather than sheet serial numbers. In some cases, desperate clerks drew arrows connecting the entries with consecutive serial numbers to demonstrate that all the serial numbers had in fact been delivered during some period of interest (CofC, 1914).

The poor clerks were pushed into overdrive. As one example, the Bureau of Engraving and Printing ordinarily delivered new sheets to the Comptroller's office once or twice a month for The Merchants National Bank of St. Paul, Minnesota. When those bankers applied for emergency currency at the start of the war, the BEP was making up to three shipments a day to the Comptroller's office for the bank. The daily highpoint was September 29th when four separate deliveries of \$5 arrived, 4,000 sheets in all. Multiply this by the needs of hundreds of rush orders for subscribing banks per day and you get the picture.

Many clerks resorted to helpful short-hand notations such as adding "EC" for emergency currency from Washington or "EC-Asst Treasurer" from a subtreasury. Some also flagged the shipments containing replacements for worn notes from the bank's bond secured circulation with the notation "US Bonds." The clerks came back later to make recapitulation entries on the ledgers for the larger banks to prove that all the available sheets had been found and shipped from both Washington and the subtreasuries (CofC, 1914-5).

### **Protocol 3: Returned and Redeposited Sheets**

**Sheets of national bank notes returned to the Treasury to redeem emergency currency by the issuing bank could be redeposited in the Comptroller of the Currency's inventory for reissue to the bank (Treasury policy adopted in November, 1915).**

Prior to enactment of the Aldrich-Vreeland Act, national bankers desiring to redeem part or all of their circulation were required to deposit lawful money with the U.S. Treasurer that was placed in a retirement fund managed by his office to redeem a like amount of the bank's notes from circulation. At the time the Aldrich-Vreeland Act was passed, Congress had defined through past legislation that lawful money consisted of gold coin, legal tender notes, silver certificates and gold certificates. National bank notes were not considered lawful money under national banking law.

However, a critical provision in Section 10 of the Aldrich-Vreeland Act authorized the use of national bank notes as well as lawful money for the redemption of the emergency currency as follows.

Any national banking association desiring to withdraw any of its circulating notes, secured by the deposit of securities other than bonds of the United States, may make such withdrawals at any time in like manner and effect by the deposit of lawful money or national bank notes with the Treasurer of the United States.

This was an extremely important provision. Without it, if banks could only use lawful money to retire their emergency notes, the massive withdrawal of lawful money from circulation would worsen the very crises the Aldrich-Vreeland Act was supposed to cure.

It was roughly the third week of October 1914 when the banks began to redeem their emergency currency in large quantities, no doubt spurred on by a looming accounting of the first quarterly tax installments due on the notes. Using gold coin and gold certificates, silver certificates, legal tender notes, and increasing numbers of national bank notes, the retirement deposits grew larger almost daily into November and December, often totaling several million dollars per day (BPD, 1914-1915).

<u>Retirement of Additional Circulation.</u>		<u>OWN NOTES.</u>
November 25, 1914.		
Own notes destroyed without reissue		\$6,655,810.
November 27, 1914. <u>Redeposited.</u>		
Stamford Nat.     Stamford Conn.		100,000
First-Bridgeport, Bridgeport, Conn.		300,000
Security National, Minneapolis, Minn.		31,500
"      "      "      " (destroyed without Re.)		56,000
First, Geneva, New York.		2,500
First, Hoosick Falls, New York.		30,000
Atlanta, Atlanta, Texas.		25,000
Planters, Whitewright, Texas		15,000
Covington, Covington, Va.		28,000
"      "      "      "		35,000
Federal, Washington, D. C		25,000 -
First, Greenwood, Miss.		30,000
First, Winona, Minn. (destroyed without re.)		24,000
First, Cleveland, Ohio     "      "		500,000
Kensington, Phila.     "      "		8,000
Fourth Street, Phila. (destroyed without re.)		750,000
Texarkana, Texarkana, Texas. (destroyed without)		50,000
<sup>1st</sup> Winona, Minn.		48,000
<del>XXXXXXXXXX</del>		
Kensington, Philadelphia		7,000
		<hr/>
		8,720,810

**Figure 8. A Treasury daily redemption report listing banks that were returning sheets of their own emergency currency that were being redeposited for reissue with the Comptroller of the Currency. The redeposited sheets disrupted the tidy serial number tracking procedure normally used by the vault clerks and bookkeepers. BPD (1914-1915).**

Under Section 10 of the Aldrich-Vreeland Act, the national bank notes deposited to retire a bank's emergency circulation could be the bank's own notes or notes of any other national bank. Deposits could be sent either via the local subtreasury or directly to the National Bank Redemption Agency in Washington. In due course, as bankers retired their emergency currency circulations, many sent back unused sheets of their own emergency currency.

Ordinarily, when the circulation of a bank was being retired in whole or part, retired notes were canceled and destroyed after receipt by the National Bank Redemption Agency. However, after the unused sheets started to come back in large numbers, conscientious Treasury operatives deemed the practice of canceling the sheets as wasteful so Treasury officials adopted a policy whereby the unused sheets could be redeposited with the Comptroller for future reissue.

BONDS AND LAWFUL MONEY DEPOSITED				BONDS WITHDRAWN				BALANCE	TITLE	Organization No.
Amount	Kind	Date	Kind	Amount	Kind	Date	Kind			
25000	10-10-10-20	8/15/14	10-10-10-20	25000	10-10-10-20	11/28/14	10-10-10-20		The Farmers & Merchants Natl Bank	1928
25000				25000					Georgetown, D.C.	4/15/12
27500				27500						3
										2210

CIRCULATION ISSUED								BALANCE	CIRCULATION RETURNED AND DESTROYED						BALANCE
Date	Bank Name	To	PLATE 10-10-10-20 Series	PLATE 10-10-10-20 Series	PLATE 10-10-10-20 Series	PLATE 10-10-10-20 Series	PLATE 10-10-10-20 Series	Total Amount (Face value)	5's	10's	20's	50's	100's	Total Amount (Face value)	(Circulation outstanding)
1914	Brookfield	1907-1908			9447			477100						177100	275000
15	9443	9501			62			3100						3100	
22	958	9536			37			1600						1600	
29	9537	9565			39			1450						1450	
Oct 5	9566	9601			36			1800						1800	
10	9602	9621			20			1000						1000	
16	9622	9641			20			1000						1000	
Oct 23	9642	9693			57			2600						2600	
30	9694	9721			34			1700						1700	
Nov 6	9722	9763			36			1800						1800	
10	9764	9815			67			3100						3100	
19	9816	9853			28			1400						1400	
27	9854	9899			86			4200						4200	
Dec 4					78			4900						4900	
16					116			5800						5800	
24					176			8200						8200	
Jan 8					58			4400						4400	
14					57			4300						4300	
22	Total Units 500				20			1000						1000	
														25000	Returned for Reserve

Figure 9. The right arrow points to the redemption entry where The Farmers & Merchants National Bank, Georgetown, D.C., returned its entire emergency currency issue of \$25,000 on November 28, 1914. The arrow at left shows the same sheets being sent back to the bank in December and January, this time as regular bond-backed date back notes. The tell-tale sign is that the reissue entries at left are devoid of serial numbers because the sheets often were not in serial number order and also to avoid recording the same serial numbers twice. CofC 1863-1935).

I was unable to find a specific Treasury directive addressing the redeposit of redeemed sheets. However, a review of multiple ledgers covering hundreds of banks from summer 1914 to summer 1915 revealed the earliest redeposits began November 27, 1914 and the latest found was on April 10, 1915. That particular April 10th redeposit consisted of \$11,050 in sheets for The City National Bank of Paducah, Kentucky, charter 2093.

The redeposited sheets were treated in the National Currency and Bond Ledgers identically as new currency received from the Bureau of Engraving and Printing except, they were logged in by dollar value because the sheets usually were not in serial number order. They generally, but not universally, became the next sheets issued from the vault inventory until consumed. Virtually all the redeposited sheets reappeared as bond-secured notes.

In one example, The Farmers and Mechanics National Bank of Georgetown, DC, charter 1928, maintained a bond-secured circulation of \$250,000 before the war. In mid-August 1914, the bankers deposited \$25,000 of “other securities” and received 500 sheets of emergency currency in the form of 10-10-10-20 Series of 1902 date back sheets. On November 28, they returned all 500 sheets to retire their emergency currency.

Starting December 7, 1914, and continuing through January 22, 1915, shipments from the Issue Division to replace worn notes for the bank’s bond-secured circulation consisted of the 500 redeposited sheets. They were the first to go after being redeposited. See Figure 9.



**Figure 10. Treasurer of the U.S. John Burke at left, Treasury Assistant Secretary William P. Malburn at right. Malburn had the significant policy and operational responsibility for emergency currency issue and redemption. He was visible to the public, press, and banking community throughout the crisis. Burke's National Bank Redemption Agency shouldered the enormous redemption workload with the subtreasury offices. Library of Congress photo LCN 2016853719.**

The redeposits for a few banks outlived the large note era without being fully consumed as reissues.

### **Victory Lap**

As the European war and banking crisis crept to America's doorstep, the Aldrich-Vreeland Act as amended in 1913 and 1914 proved to be an example of the government getting things right. A repeat of the Panic of 1907 was averted. Whatever the impact of the coming war, widespread bank failures and financial panic in the United States was not a part of it.

Starting in August 1914 and continuing through Spring 1915, Malburn mobilized the Treasury and subtreasuries to do meticulous daily reporting on the emergency currency being issued and then being retired (BPD, 1914-1915). Although it was labor intensive to do so, Malburn wanted to closely track how the currency was being used and to ensure it was being redeemed as soon as it wasn't needed.

McAdoo and Malburn knew the Wilson Administration's political opponents would pounce the moment they could allege there were unnecessary inflationary notes swelling the nation's money supply. As it turned out, the higher tax rates on the emergency currency worked exactly as designed to force the prompt redemption of the unneeded emergency currency.

Some bankers returned most or all their emergency currency before it was circulated. Simply having it in their vaults and teller cages was enough to quell the angst of their depositors. The needed liquidity was on hand for short-term commercial loans including loans needed to

facilitate agricultural harvests. The economy had in-hand the money it needed to jumpstart our preparations for the coming war.

The news media, particularly the financial press, tracked the emergency currency situation closely. Malburn must have been gratified with a February New York Times headline that declared “Emergency Notes All In; Books Close” for the National Currency Association of New York (NYT, Feb 10, 1915). By mid-February less than 10 per cent of the total emergency currency issued since August remained outstanding (NYT, Feb 19, 1915).

The conservative Commercial & Financial Chronicle opined in February 1915 that the Aldrich-Vreeland Act, set to expire on June 30, 1915, should be extended for “another year or two, and possibly indefinitely. \* \* \* Thus the Aldrich-Vreeland law provides the means for much more effective action than the Federal Reserve Law, and also on a larger scale” (Chronicle, Feb 13, 1915). The Chronicle reasoned that since the Aldrich-Vreeland Act permitted a broader range of “other securities” as collateral for emergency notes than permitted with Federal Reserve notes, the Aldrich-Vreeland notes would be more effective. Treasury and Congress differed, however, and the Aldrich-Vreeland Act expired at the end of June. Future crises would be handled by the Federal Reserve system.

By July 1, 1915, all but approximately \$172,000 from a failed bank in Pennsylvania of the \$386 million in emergency currency had been retired.

Malburn himself had the last word on the emergency issues, writing the following in 1915 after more than 90 percent of the notes had been retired.

It is evident that any fears that have been entertained that the large amount of additional currency put in circulation after August 1, 1914, would unduly inflate the circulation, and would not be promptly retired, may be dismissed. \* \* \* Without doubt the issuance of this currency enabled the country to pass through the troublous times succeeding the outbreak of the European war last Summer, with much less strain than has attended financial disturbances of less severity in the past, and it is shown how advantageously the Federal reserve notes may be used in the future.” (Melburn, February 18, 1915).

### **Acknowledgments**

The Bureau of Public Debt documents that formed the basis for this article are from the Retired Currency of 1914-1915 files, Record Group 53, Entry 545 housed at the National Archives at College Park, Maryland, full citation below. Peter Huntoon provided the delivery data for the Stock Growers National Bank of Cheyenne and made valuable manuscript suggestions. Fred Maples provided timely assistance pertaining to Maryland national bank ledger pages.

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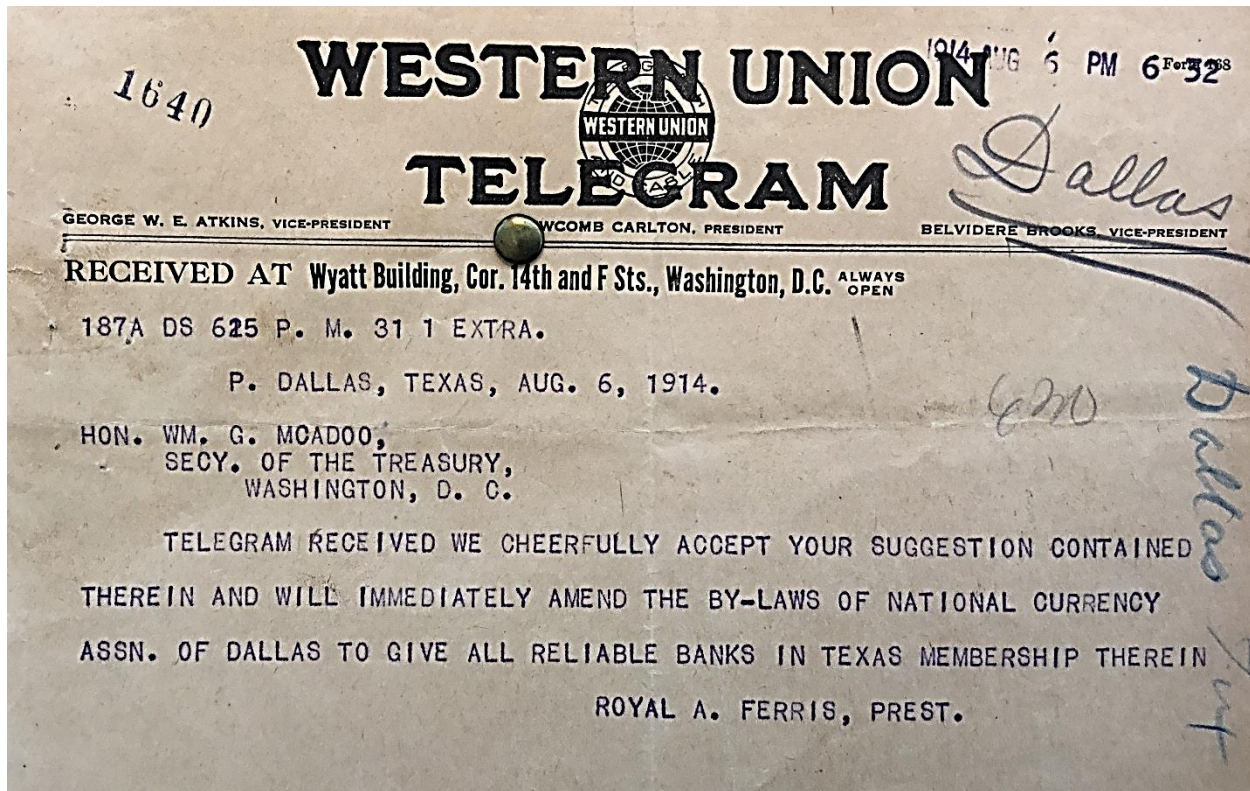
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# Aldrich-Vreeland Emergency Currency

## Photo Gallery



**Figures A.** While Treasury's use of the Aldrich-Vreeland Act emergency currency successfully prevented Europe's bank panics spreading to the U.S., there were isolated incidents. Here, the German Savings Bank in New York City has a run by its depositors on August 3, 1914. American citizens of German descent and recent immigrants were closely watching the banking panic in their former home country. In this case, the contagion spread, but fortunately such incidents in the U.S. were rare. Hoarding was commonplace, but bank runs were not, in large part due to Treasury and the national banks having ample emergency currency supplies available. Photos: CNN top left; Google top right; Library of Congress LCN 2014696884 bottom.



**Figure B.** As the war broke out in Europe, hundreds of U.S. bankers sought to quickly join National Currency Associations. Worried about the time it would take banks to apply individually for membership, Treasury Assistant Secretary Charles Sumner Hamlin stepped in to expedite the process and reassure bankers seeking emergency currency that it would not be delayed. This telegram from the National Currency Association of Dallas expresses the Association's delight at being told by Treasury to open its membership to all sound national banks in the district. BPD (1914-1915).

CERTIFICATE OF A \_\_\_\_\_ STATE \_\_\_\_\_ BANK APPLYING FOR ADMISSION IN A NATIONAL CURRENCY ASSOCIATION ALREADY FORMED.


Office of the \_\_\_\_\_ FIRST STATE \_\_\_\_\_ Bank of \_\_\_\_\_ BONHAM, TEXAS. \_\_\_\_\_  
 August 13th 1914.

In accordance with a resolution of the Board of Directors of the \_\_\_\_\_  
 \_\_\_\_\_ FIRST STATE \_\_\_\_\_ Bank of \_\_\_\_\_ BONHAM, TEXAS \_\_\_\_\_, duly  
 voted at a \_\_\_\_\_ regular \_\_\_\_\_ meeting held \_\_\_\_\_ August 11th, \_\_\_\_\_ 1914,  
 a duly authenticated copy of which resolution is hereto attached, I hereby make application to the  
 Secretary of the Treasury for the admission of said Bank in the National Currency Association  
 of Dallas, Texas.

And I hereby certify that the capital stock of said bank is unimpaired, and that its surplus  
 is not less than twenty per centem of said capital.

*A. J. Moore*  
 President.

Recommendation of Board of Managers of National Currency Association of Dallas, Texas:  
 \_\_\_\_\_

 **TREASURY DEPARTMENT**  
 OFFICE OF THE SECRETARY  
 DIVISION OF LOANS AND CURRENCY WASHINGTON August 29, 1914.

Mr. A. J. Moore,  
 President, First State Bank,  
 Bonham, Texas.

Sir:

By direction of the Secretary I beg to acknowledge receipt of  
 your communication of the 13th instant, addressed to the Reserve Bank  
 Organization Committee, and in reply to advise you the Department does  
 not consider it necessary at this time to extend membership in national  
 currency associations to State banks and trust companies.

Respectfully,  
 (Signed) Wm. P. Malburn.  
 Assistant Secretary.

*Dallas - 1st State BK - Bonham*

Figures C. The interest in obtaining emergency currency extended beyond national banks. At top, A.J. Moore, the president of the First State Bank of Bonham, Texas, sought to join the Dallas National Currency Association. The Association sought Treasury's ruling on whether that was permissible. Assistant Secretary Malburn replied at bottom, saying to Moore that memberships would not be extended to state banks and trust companies. BPD (1914-1915).

APPLICATION FOR AN ISSUE OF ADDITIONAL CIRCULATING NOTES

(To be executed by officers of association.)

TO

THE COMPTROLLER OF THE CURRENCY,  
Washington, D. C.

The National Currency Association of \_\_\_\_\_  
certifies that the commercial paper and other securities listed and described  
~~in the within schedules have been transferred and delivered to this association~~  
in trust for the United States to secure an issue of circulating notes under  
the provisions of the Act of May 30, 1908, and Acts amendatory thereof, and on  
behalf of the \_\_\_\_\_ National Bank of \_\_\_\_\_,  
a member of this association, application is hereby made for an issue to said  
bank of \_\_\_\_\_ dollars in national currency of such  
bank under authority and subject to conditions of the Acts aforesaid.

National Currency Association of \_\_\_\_\_

By \_\_\_\_\_ President.

\_\_\_\_\_ Secretary.

2-7645

**Figure D. National banks subscribed for their emergency currency via the National Currency Association to which they belonged. Banks first placed “other securities” on deposit with their Association. Upon the Association validating the value of the securities, the Association would place an order for emergency currency on behalf of the bank with the Comptroller’s office using the form above. Note the use of the formal term “additional circulation” rather than “emergency currency” on the form. BPD (1914-1915).**

204

Daily Statement relating to applications for additional currency approved, amount of currency delivered, and amount due to each bank in each currency association.

1.

September 10, 1914.				
National Currency Association.	Bank.	Applications approved for	Currency delivered.	Currency due.
Georgia,	National Bank of Savannah,	\$ 36,000	\$ 36,000	\$
Alabama,	Anniston City N.B. Anniston,	87,000	87,000	
Louisiana	Union N.B. Mearce	72,000	72,000	
Philadelphia,	Kensington N.B. Philadelphia,	69,000	69,000	S.T.
Dallas, Tex.	Wakahachie N.B.	37,000	37,000	
"	Alba N.B. Alba,	15,000	15,000	
"	First " Anonna,	15,000	13,750	1,250
"	First " Athens, Fannin Co. N.B. Bonham,	30,000	29,700	300
Fort Worth,	Commercial N.B. Brady,	60,000	60,000	
Dallas, Tex.	First N.B. Mesquite,	18,000	18,000	
"	First N.B. Celeste,	18,000	18,000	
Fort Worth,	First N.B. Coleman,	60,000	32,750	27,250
Dallas, Tex.	First N.B. Coolidge,	10,000	10,000	
"	First N.B. Cooper,	24,000	24,000	
"	City N.B. Corsicana,	60,000	44,100	15,900
Fort Worth,	First N.B. Decatur,	30,000	28,900	1,100
"	Denton County N.B. Denton,	21,000	21,000	
"	Citizens N.B. Dublin,	18,000	18,000	
Dallas, Tex.	First N.B. Franklin,	18,000	12,750	5,250
"	First N.B. Hearne,	45,000	39,100	5,900
"	Citizens N.B. Hillsboro,	50,000	50,000	
"	Farmers N.B. Howe,	12,000	12,000	
Fort Worth,	First N.B. Meridian,	18,000	18,000	
Dallas, Tex.	First N.B. Nevada,	15,000	15,000	
"	Stone Fort N.B. Nacogdoches,	22,000	22,000	

Figure E. Treasury officials closely tracked the National Currency Associations and their banks applying for emergency currency. Above is page 1 of a long September 10, 1914 report to Treasury senior officials listing subscriptions for emergency currency, the amounts, and deliveries. The "ST" notation for The Kensington National Bank of Philadelphia means the notes were delivered from the Philadelphia subtreaury, not the Comptroller's Issue Division in Washington. BPD (1914-1915).

Daily Statement relating to applications for additional currency approved, amount of currency delivered, and amount due to each bank in each currency association.

September 2, 1914.				
National Currency Association.	Bank.	Applications approved for	Currency delivered.	Currency due.
Dallas, Tex.	N.B. Grand Saline,	\$ 18,000	\$ 18,000	\$
St. Louis, Mo.	First Nat. Bank Memphis, Tenn.	300,000	300,000	
Philadelphia,	Girard Nat. Bank	368,000	By Asst. Treas. U.S. Phila.	
Raleigh, N.C.	Citizens N.B.	26,000	26,000	
Raleigh, N.C.	Citizens N.B.	95,000	16,200	78,800
Raleigh, N.C.	Commercial N.B.	105,000		149,020
Cincinnati, O.	Citizens N.B.	225,000	By Asst. Treas. U.S. Cincinnati	
Richmond, Va.	Planters & Merchants N.B. South Boston, Va.	64,000	64,000	
Kansas City and St. Joseph, Mo.	Commonwealth N.B. Kansas City, Mo.	30,000	By Asst. Treas. U.S. St. Louis.	

Figure F. Another Treasury daily report of emergency currency requests and deliveries. This report shows multiple deliveries from the regional subtreasuries. BPD (1914-1915).



**Figure G Enterprise National Bank of Laurens, South Carolina, was one of a handful of banks that issued only emergency currency based on research by Peter Huntoon and Mark Drenghson. The bankers never reported a taxable circulation during the ten the ten year life of the bank. They ordered emergency currency in 1914 but retired it before having to report it. Huntoon and Drenghson have identified about a dozen banks that similarly issued only emergency currencies. Heritage Auctions archives photo.**



Form 2138

# WESTERN UNION TELEGRAM

GEORGE W. E. ATKINS, VICE-PRESIDENT      NEWCOMB CARLTON, PRESIDENT      BELVIDERE BROOKS, VICE-PRESIDENT

1681

RECEIVED AT 1914 DEC 11 PM 9 30

257AFY      26 NIGHT GR      SAN FRANCISCO CALIF 12 11 14

TREASURY DEPT WASHINGTON DC  
 FIRST NATIONAL BANK PASADENA CALIFORNIA DEPOSITED  
 TODAY TEN THOUSAND DOLLARS GOLD COIN ON ACCOUNT RETIREMENT ADDITIONAL  
 CIRCULATION.  
 MCGEE ASSISTANT TREASURER U.S.  
 TOP

Form 103

# WESTERN UNION TELEGRAM

GEORGE W. E. ATKINS, VICE-PRESIDENT      NEWCOMB CARLTON, PRESIDENT      BELVIDERE BROOKS, VICE-PRESIDENT

0591

RECEIVED AT Wyatt Building, Cor. 14th and F Sts., Washington, D.C. ALWAYS OPEN

V369 CH 23 COLL GOVT Q      NOV 18 1914  
 CHICAGO ILL 18      914 NOV 18 PM 15:24 1:

TREASURY DEPARTMENT  
 WASHINGTON DC

ONE MILLION DOLLARS GOLD CERTIFICATES DEPOSITED BY FIRST NATIONAL  
 BANK CHICAGO ACCOUNT RETIREMENT ADDITIONAL CIRCULATION  
 SHUMAN ASSISTANT TREASURER.

Figures H. The emergency currency was shorted lived. The first deliveries were on August 4, 1914, and the last on February 12, 1915. In the third week of October banks began to retire their emergency circulations in enormous amounts each day. Subtreasury offices sent telegrams to the Treasury Department in Washington to report the daily redemption deposits. The telegrams above date from November and December, 1914. BPD (1914-1915).

cincinnati O Oct 21 1914  
Secretary of the Treasury  
Washington DC  
Relative to retirement of Emergency currency act of nineteen hundred  
eight can this be done by payment to U-S of National bank notes  
have refused same requesting gold coin wire immediately  
exactly what I can accept in payment of retirement of emergency  
currency  
Puchta Asst Treasr

Figure I. Section 10 of the Aldrich-Vreeland Act allowed emergency circulation to be retired through payment of lawful money or national bank notes. Previously, national bank circulations could not be retired by deposit of national bank notes. Some subtreasury officers and many national bankers were unfamiliar with the provision, so when some banks started to send in national bank notes the subtreasury officers questioned the practice. The telegram above, from October 21, 1914, is one such questioning telegram. BPD (1914-1915).

TREASURY DEPARTMENT TELEGRAM.

WHERE WRITTEN: Washington, Oct. 23, 1914.

ASSISTANT TREASURER U. S.,  
Boston, Mass.,  
Philadelphia, Pa.,  
Cincinnati, Ohio,  
~~Chicago, Ill.~~  
St. Louis, Mo.,  
New Orleans, La.,  
Baltimore, Maryland,  
~~San Francisco, Cal.~~

If national bank notes have been deposited by Cincinnati  
banks for retirement of their additional circulation, hold same intact  
until further advised.

Wm. P. Malburn,

NIGHT LETTER

Figure J. In reply to the questions about the legality of accepting national bank notes to retire emergency currency, Treasury Assistant Secretary William P. Malburn cabled the subtreasury offices on October 23, 1914 to hold such submissions until further guidance could be issued. BPD (1914-1915).

TREASURY DEPARTMENT

WASHINGTON

October 29, 1914.

The

Assistant Treasurer U. S.,  
Baltimore, Md.

Sir:

Department telegram of the 23rd instant instructed you to hold intact pending further instructions any national bank notes deposited with you for the retirement of additional circulation under the Aldrich-Vreeland Act.

Upon receipt hereof you will forward to the Treasurer of the United States, Redemption Agency, all such notes held in your office, crediting same to "Retirement of Additional Circulation, Act May 30, 1908," and hereafter forward to that office all national bank notes deposited with you for the purpose named.

By direction of the Secretary:

Respectfully,

Wm. P. Malburn,

Assistant Secretary.

**Figure K. Malburn sent instructions on October 29, 1914 to the subtreasuries making it clear that national bank notes were to be accepted for retirement of emergency currency. The example above went to the Assistant Treasurer at Baltimore, Maryland. BPD (1914-1915).**

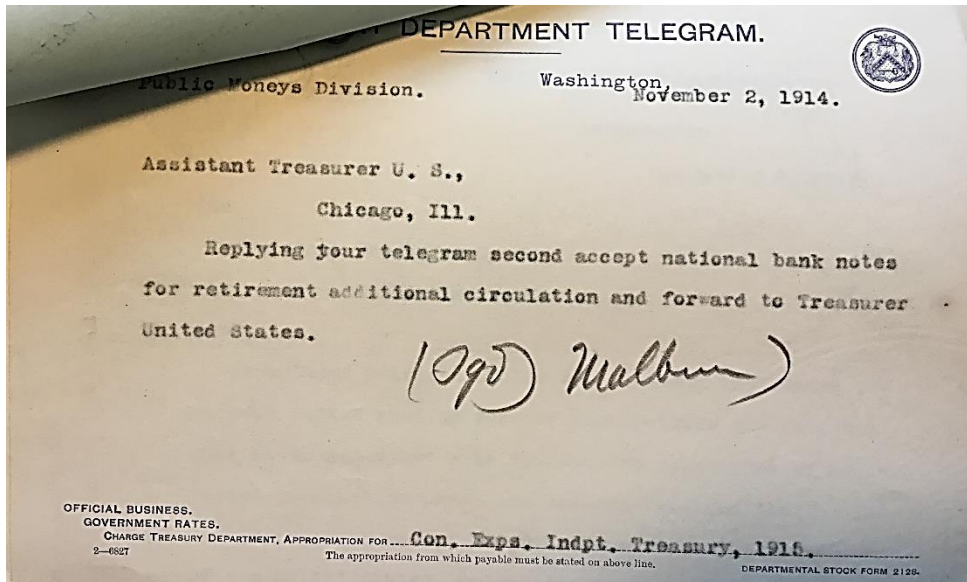


Figure L. Depsite his October 29 guidance to subtreasuries to accept national bank notes to retire emergency currency, several days later he was still telegraphing certain offices confirming the instructions. BPD (1914-1915).

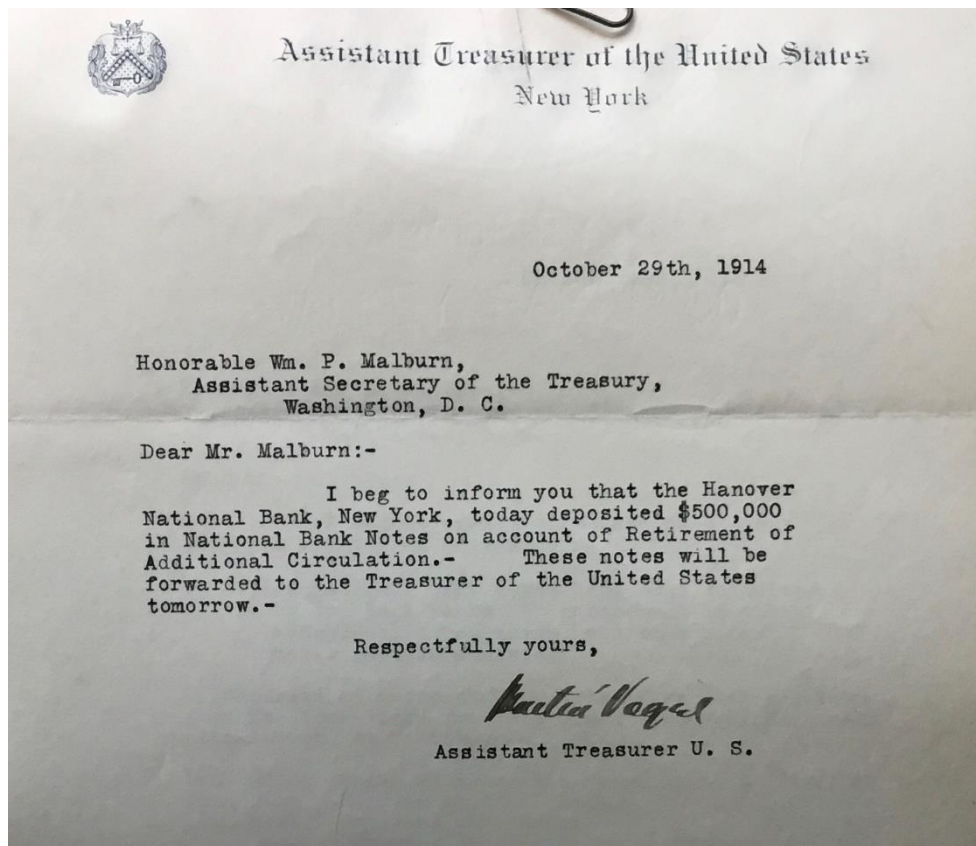


Figure M. The notice of receipt for The Hanover National Bank of New York is a good example of the enormous value of national bank notes being used to retire emergency currency, Malburn's signature on this document reveals his personal involvement in the redemptions process. BPD (1914-1915).



TREASURY DEPARTMENT

WASHINGTON

OFFICE OF  
TREASURER OF THE UNITED STATES  
IN REPLYING QUOTE INITIALS

November 23, 1914

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

The following deposits have this day been credited in the account of "Retirement of additional circulation" under the act of Congress approved May 30, 1908:

Asst Treasurer	Ctf of deposit No.	Date	Depositor	Amount	Class of Funds deposited.
Chicago,	431	Nov 19/14	Corn Exchange Nationa. Bk. Chicago, Ill.	\$ 500,000	Gold Coin
Chicago,	444	"	Hamilton National Bank, Denver, Colo.	45,000	N.B. notes
Chicago,	446	Nov 20/14	National City Bank, Chicago, Ill.	48,000 70,000 84,000 123,000	Gold Coin U.S. notes Silver Cert N.B. notes
New York,	341	Nov 21/14	First National Bank, Pell City, Ala.	6,500	Lawful money
New York,	343	"	First National Bank, Philadelphia, Pa.	75,000	N.B. notes
New York,	344	"	Lowry National Bank, Atlanta, Ga.	159,000	"
New York,	345	"	Monongahela National Bk., Pittsburgh, Pa.	100,000	"
New York,	346	"	Bank of New York, N.B.A., New York, N. Y.	400,000	"
New York,	347	"	First National Bank, Brooklyn, N. Y.	100,000	"
New York,	348	"	National Bank of Commerce, New York, N. Y.	1,000,000	"

Figure N. First page of a long daily Treasury report sent to Treasury Secretary William G. McAdoo from Treasurer John Burke listing deposits to retire emergency currency and the types of money used for the deposits. Imagine \$500,000 in gold coins in a single deposit. The page is a good example of the volume and variety of deposits used to quickly retire the emergency notes. See column on right above. BPD (1914-1915).

January 25, 1915.

The Secretary of the Treasury,  
Washington, D. C.,

Sir:

I have received to-day from Grape Vine National Bank, Grape Vine, Texas, on account of Retirement of Additional Circulation, \$ 12,000, paid in National Bank Notes.

Respectfully,

*John A. Wogan*  
Assistant Treasurer U. S.



OFFICE OF  
THE ASSISTANT TREASURER

TREASURY DEPARTMENT

UNITED STATES SUBTREASURY

St. Louis, Mo. June 17th, 1915.

The Honorable  
Secretary of the Treasury,  
Washington, D. C.

Sir:

I beg to advise deposit today on account of retirement of additional circulation, as follows:

American National Bank, Roswell, N. M., \$22,500; National Bank Notes,

Respectfully,

*H. A. Anderson*  
Assistant Treasurer U. S.

Figures O. It was not only large city banks that utilized emergency notes. Here are two small town examples. These national banks in Grapevine, Texas, and Roswell, New Mexico, kept their emergency circulations going into 1915, retiring them respectively in January and June 1915. BPD (1914-1915).

RECEIPT OF COMPTROLLER OF THE CURRENCY FOR NATIONAL BANK NOTES.

GROUP No. 95--Continued.				BANK No.	CHARTER No.	ON 5 PER CENT ACCOUNT.	ON RETIREMENT ACCOUNT.	ON EMERGENCY RETIREMENT ACCOUNT.
LOCATION.		TITLE.						
Nogales,	Ariz.,	First, <i>assumes</i> Sandoval,		46	6591			
"	"	Nogales,		47	11012			
Norcatour,	Kans.,	First,		48	8290			
Norfolk,	Nebr.,	Citizens',		49	3741			
"	"	Norfolk,		50	3347			
Norman,	Okla.,	First,		51	5248			
"	"	Farmers', <i>assumes</i> National Bank of,		52	7293			
North Auburn,	Nebr.,	First N. B. of Auburn ( <i>to Group 81</i> ),		53	3343			
North Bend,	"	First,		54	3059			
"	Oregon,	First,		55	9328			
North Platte,	Nebr.,	First,		56	3496			
Northwood,	N. Dak.,	First,		57	5980			
"	"	Citizens',		58	9754			
North Yakima,	Wash.,	First ( <i>to Group 104</i> ),		59	3355			
"	"	Yakima ( <i>to Group 104</i> ),		60	3862			



Figure P. Redemption accounting form used by the National Bank Redemption Agency. One of the many complexities in the redemption process was determining if bank notes received for redemption were (1) bond-secured redemptions requiring replacement notes to be sent out, (2) retirements of notes from out-of-business banks, (3) banks reducing their bond-secured circulations, or (4) banks retiring their emergency currency. The arrow points to the column where emergency currency retirements were recorded. Once notes were sorted by bank and recorded on the above form, the redeemed notes were sent to the Comptroller of the Currency's Redemption Division for a second confirmation count. Notice that the National Bank Redemption Agency sorting was done alphabetically by the name of the towns on the notes, not charter number. General Records of the Department of the Treasury.



TREASURY DEPARTMENT

WASHINGTON

November 27, 1914.



The Comptroller  
of the Treasury.

Sir:

Will you please give me your opinion upon the question presented by the Comptroller of the Currency in the attached letter; i.e., whether the cost of shipping the amounts of unused additional currency now in the vaults of the several subtreasuries from Washington and return is properly chargeable to the United States under the provisions of Section 16 of the act of May 30, 1908.

By direction of the Secretary:

Respectfully,

*John Skelton Williams*  
Assistant Secretary.

**Figure Q.** By late fall 1914, millions of unissued sheets of emergency currency remained in the regional subtreasuries. The original cost of shipping the sheets to the subtreasuries had been billed to the banks, but Comptroller of the Currency John Skelton Williams saw a backlash coming if the banks had to pay to ship unrequested sheets back to Washington. Treasury Assistant Secretary Malburn put the question to his departmental attorneys in the Office of the Comptroller of the Treasury. He received the reply he and O'Connor were seeking, namely that it was permissible under the Adrich-Vreeland Act for the government to pay to ship the sheets back to the Issue Division in Washington. BPD (1914-1915).





Figure R. The full story behind this \$50 Series of 1882 date back note is one that makes national bank note collecting so enticing. The National Marine Bank of Baltimore nearly doubled its circulation in 1914 using “other securities” as collateral when the war broke out. The BEP went into overdrive to deliver additional vault stock for the bank with one thousand sheets of 50-50-50-100 notes being delivered to the Comptroller’s Issue Division on August 17, 1914 bearing bank serials 301 to 1300. That delivery included this note with bank serial 500. However, the \$50 and \$100 emergency currency issued to the bank ended with the sheet 405 on September 1. The rest of its emergency currency consisted of \$5, \$10 and \$20 notes, the last of which were sent November 21st. The bankers then retired all their emergency circulation between November 23, 1914 and January 23, 1915. Sheet 500 containing this note was sent to the bank July 12, 1915 as a bond-secured note. Heritage Auctions archives photo.

## Postscript

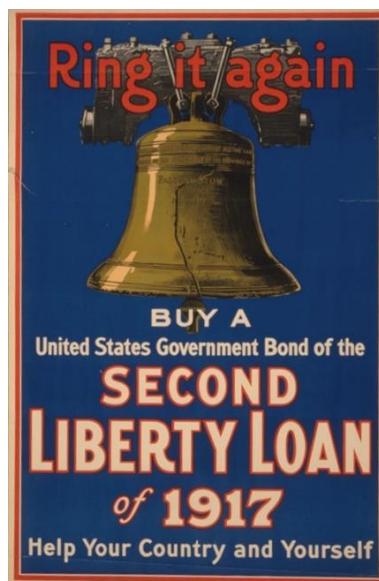
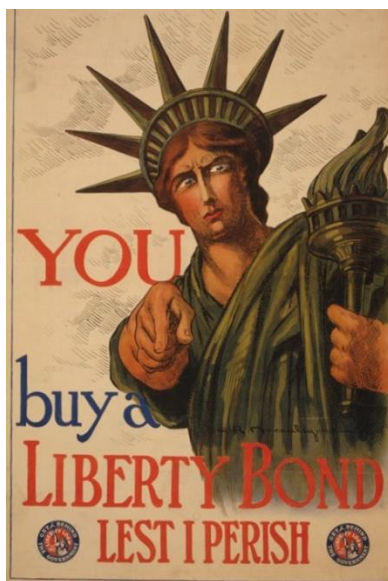
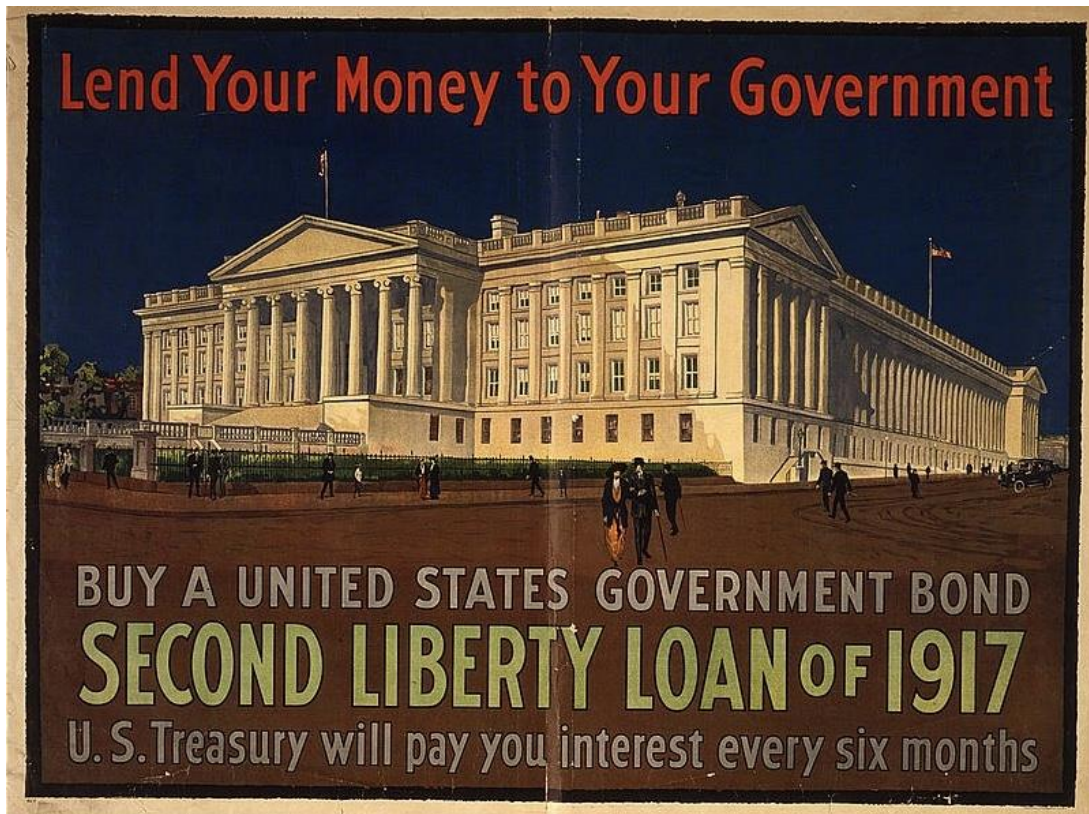
### Treasury Entry Pivots from Emergency Currency to Financing America's into the War



**Figure S.** The Aldrich-Vreeland emergency currency allowed the Treasury in 1914 and 1915 to avoid the banking panics that plagued Europe as war broke out. Meanwhile, President Woodrow Wilson sought to keep America out of the war. By 1917, Wilson and Congress knew entering the war was inevitable. Above, the American Rainbow Division enters St. Nazaire, France, November 3, 1917. The job of the U.S. Treasury shifted from emergency currency to financing the U.S. war effort through Liberty Loans. Library of Congress photo LCN 2014706754.



**Figures T.** Treasury’s work to finance the American war effort was essential to the country’s success. Treasury Secretary McAdoo was committed to financing the war through borrowing, not printing greenbacks. The Liberty Loans and later Victory Loan effort were the result. At top, a Liberty Bond poster adorns the corner sidewalk outside the Treasury Department in 1917. At bottom, Treasury workers and Army representatives prepare for a bond drive on Treasury’s steps by displaying captured German helmets. Library of Congress photos LCN 2016868455 and LCN 2016819648.



Figures U. Liberty Loan Posters were part of a massive advertising campaign that helped raise the money to financed the American war effort. At top, a poster that dispayed the Treasury Department itself. Library of Congress photos LCN 2001695789, LCN 00652903 and LCN 00652888.

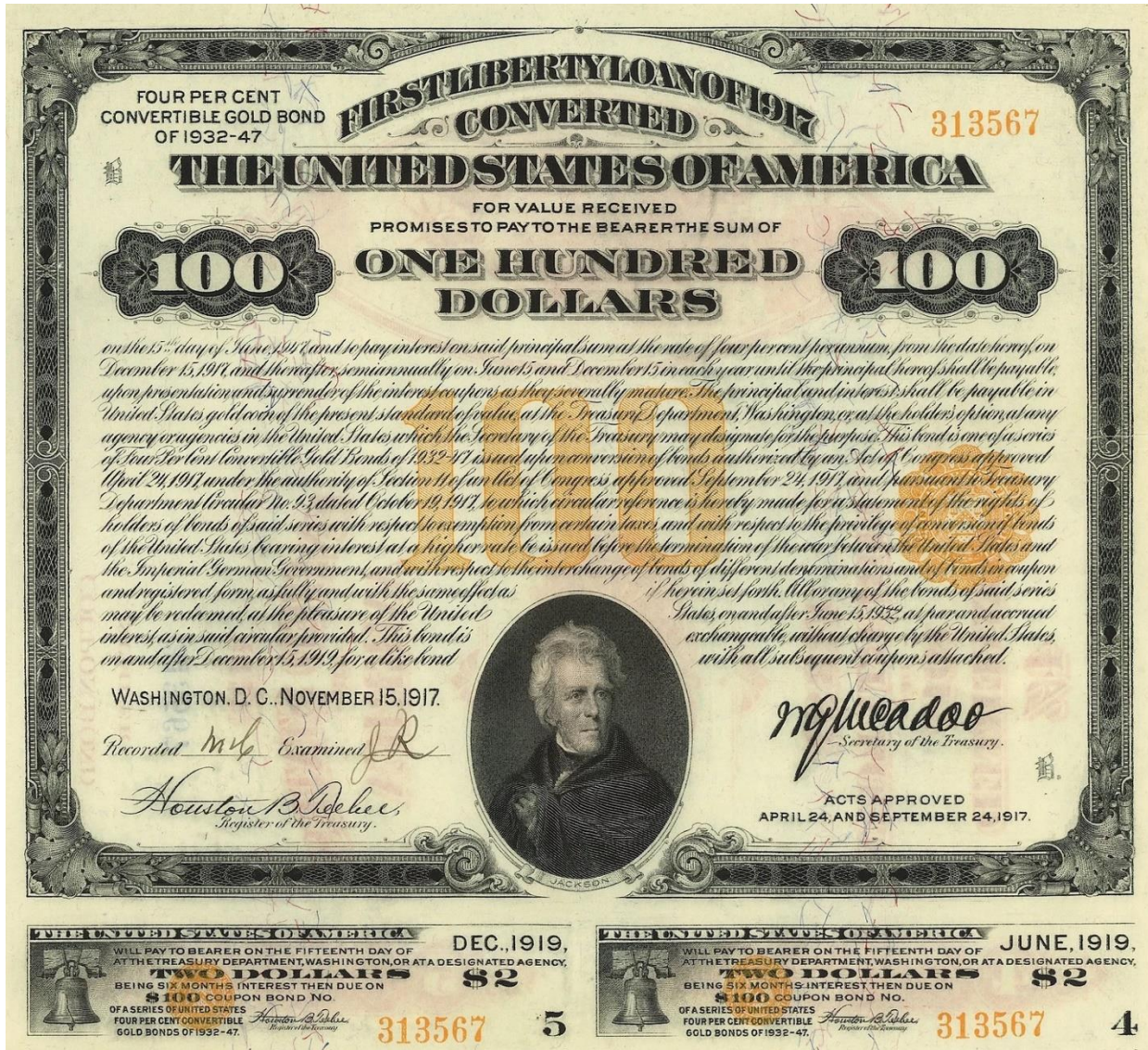


Figure V. First Liberty Loan of 1917 \$100 4 percent coupon bond. The Bureau of Printing and Engraving went from producing millions of sheets of emergency currency to cranking out millions of Liberty Loan bonds. Herbstman Collection of American Finance photo.

This chapter is from The Encyclopedia of U. S. National Bank Notes published jointly by the National Currency Foundation ([www.nationalcurrencyfoundation.com](http://www.nationalcurrencyfoundation.com)) and Society of Paper Money Collectors ([www.spmc.com](http://www.spmc.com)).