

Chapter G16

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15-Month Circulation of Santa Fe, New Mexico Series of 1929 Notes

Overview and Purpose

The entire Series of 1929 issuance from The First National Bank of Santa Fe, New Mexico, which amounted to a circulation of \$150,000, occurred in a bit less than 15 months between March 23, 1933 and June 2, 1934. The purpose of this article is to explain what took place from the perspective of the records available to us in the Annual Reports of the Comptroller of the Currency and the National Currency and Bond Ledgers in the National Archives.

Bank president Arthur Seligman was an astute businessman who was working to optimize the profitability of the bank as they were attempting to recover from the depths of the Great Depression. His actions recounted here opportunistically took advantage of a short-term bond play that materialized through passage of the Federal Home Loan Bank Act of 1932. He used the liquid assets of the bank to purchase high-yield government bonds that temporarily were accorded the circulation in order to maximize the profitability of the bank while minimizing the risks of the times.

Arthur Seligman (1871-1933)

The following profile of Arthur Seligman is from Golden and Rywell (1950, p. 231).

Seligman was a businessman and politician who was born in Santa Fe, New Mexico Territory on June 14, 1871. In 1887, he graduated from the Swarthmore College preparatory school in Pennsylvania and in 1889 from Union Business College in Philadelphia. He then engaged in the family businesses in Santa Fe rising to become president of the Seligman Brothers mercantile firm (1903–1926), president of the La Fonda Building Corporation (1920–1926), and auditor and board member of the Northern New Mexico Loan Association.

He was a Democrat who was seriously involved in New Mexico politics throughout his life. His party leadership positions included chairman of the Santa Fe Democratic County Central Committee (1895–1911), chairman of the territorial Democratic Committee (1895–1911), chairman of the state Democratic committee (1912–1922), and delegate to the Democratic National Committee (1920–1933). He served as member of the state Irrigation Commission (1904–1906), member of the New Mexico Board of Equalization (1906–1908), chairman of Santa Fe County Commission (1910–1920), and president of the state Educational Survey Commission (1921–1923).

Seligman was elected mayor of Santa Fe (1910–1912) and two-term governor of New Mexico in 1930 and 1932. He served as governor from January 1, 1931 until his death on September 25, 1933.



Figure 1. Arthur Seligman, president 1924-1933, First National Bank of Santa Fe, New Mexico. Wikipedia photo.

Table 1. Timeline associated with the national bank note issues and bonds that secured them between 1924 and 1935 for The First National Bank of Santa Fe, New Mexico, charter 1750.

Sep 27, 1924	last shipment to bank of 1902 5-5-5-5 sheets ending with sheet serial 11865
Oct 7, 1924	last shipment to bank of 1902 10-10-10-20 sheets endng with sheet serial 7885
Dec 11, 1924	sold \$150,000 worth of 2% Consols of 1930
Mar 21, 1933	bought \$150,000 worth of 3% Treasury bonds of 1951-55
Mar 23, 1933	Bureau of Engraving and Printing delivered type 1 notes to the Comptroller of the Currency
	5-5-5-5-5-5 1-3058
	10-10-10-10-10-10 1-918
	20-20-20-20-20-20 1-312
Mar 23 & 27, 1933	First shipment to bank of type 1 notes totalling \$150,000 from Comptroller of the Currency
Oct 6, 1933	Bureau of Engraving and Printing delivered type 2 notes to the Comptroller of the Currency
	5 1-3144
	10 1-1824
	20 1-444
Dec 7, 1933	last shipment to bank of type 20-20-20-20-20-20 ending with sheet serial 312
Dec 14, 1933	last shipment to bank of type 1 5-5-5-5-5-5 ending with sheet serial 3058
Dec 22, 1933	last shipment to bank of type 1 10-10-10-10-10-10 ending with sheet serial 918
Dec 22, 1933	first shipment to bank of type 2 \$5
Jan 3, 1934	first shipment to bank of type 2 \$10
Jan 19, 1934	first shipment to bank of type 2 \$20
Mar 27, 1934	Bureau of Engraving and Printing delivered type 2 notes to the Comptroller of the Currency
	5 3145-6564
	10 1825-3396
	20 445-876
Apr 24, 1934	last shipment to bank of type 2 \$20 ending with serial 315
May 11, 1934	last shipment to bank of type 2 \$5 ending with serial 2986
May 21, 1934	last shipment to bank of type 2 \$10 ending with serial 1985
Jun 2, 1934	sold \$150,000 worth of 51-55 bonds

He assumed the presidency of The First National Bank of Santa Fe in late 1924 and served in that capacity until his death.

Seligman and Circulation

By the time Seligman took over as bank president, the former officers had built the circulation of the bank up to \$150,000 from \$45,000 in 1919 as illustrated on Figure 2. They secured this circulation with 2% Consols of 1930. It is obvious that Seligman thought there were better opportunities than that investment and the money that could be earned on loaning the attendant circulation. The bonds were sold on December 11, 1924, and the bank got out of the currency-issuing business. From then on forward, the liability for the bank's outstanding large-size notes was assumed by the U.S. Treasury and those notes were actively redeemed from circulation.

It is clear from Figure 3 that the bank continued to prosper until the onset of the Great Depression. A contraction in total resources ensued through 1932. During this stressful period, Seligman was managing the bank very conservatively and increasing its cash reserves.

Federal Home Loan Bank Act of 1932

In 1932, a Hoover-era economic stimulus act was passed called the Federal Home Loan Bank Act. Its objective was to lower the cost of home ownership by creating a network of government banks to provide low-cost home mortgages. The bill was signed into law by President Herbert Hoover July 22, 1932.

However, the form in which it passed was a notable dud because the only people who could qualify for the mortgages were sufficiently well off, they didn't need to fool with the Federal Home Loan Banks (Wikipedia).

Here is where it gets interesting. Over the objections of Hoover and his Treasury officials, a rider

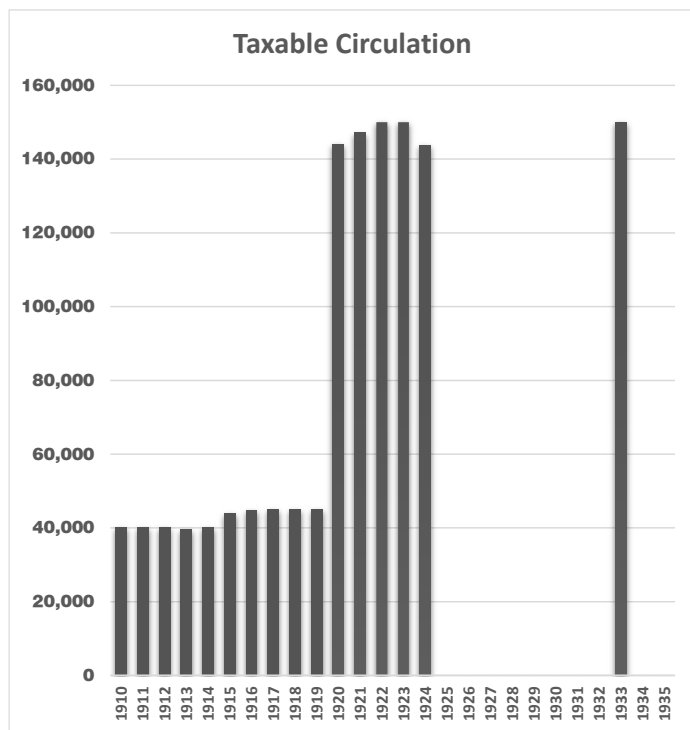


Figure 2. National bank note circulation, First National Bank of Santa Fe, New Mexico, 1910-1935.

Seligman Reacts

It is clear that Seligman saw this as a good short-term opportunity to buy into risk-free Treasury bonds that paid what looked like a good return at the depths of the depression. On March 21, 1933, his bank bought \$150,000 worth of Treasury 3% Bonds of 1951-55 to secure new currency issues.

The notes the bank received were printed from a set of six 1-subject Barnhart Brothers & Spindler logotype plates made during March 1933. Remarkably, the printing of type 1 notes arrived from the Bureau of Engraving and Printing two days after the bonds were recorded in the National Currency and Bond Ledgers as being deposited with the U.S. Treasurer. \$150,000 worth of nationals was shipped to the bank that same day. It usually took about two weeks for such plates to arrive from the contractor so it is evident that either the Comptroller had advance knowledge of the bond deposit or the date associated with it in the ledger post-dated when the bonds were actually deposited with the Treasurer.

was tacked onto the bill known as the Glass-Borah Amendment. The amendment provided for a three-year circulation privilege for all U.S. bonds that paid interest of 3-3/8 percent or less from the date of passage of the act. The rider had nothing to do with the Federal Home Loan Banks.

Its sponsors were Virginia Democratic Senator Carter Glass, former Secretary of the Treasury under Woodrow Wilson, and Idaho Republican Senator William Borah. Both were progressives. Clearly their amendment was a clumsy attempt to inflate the money supply during the Great Depression because it would make national bank note circulation sufficiently profitable that it would incentivize bankers to invest in the higher-yield bonds and take out additional circulation.

Use of the high-interest bonds to secure national bank notes would terminate on July 22, 1935 under the terms of the amendment.

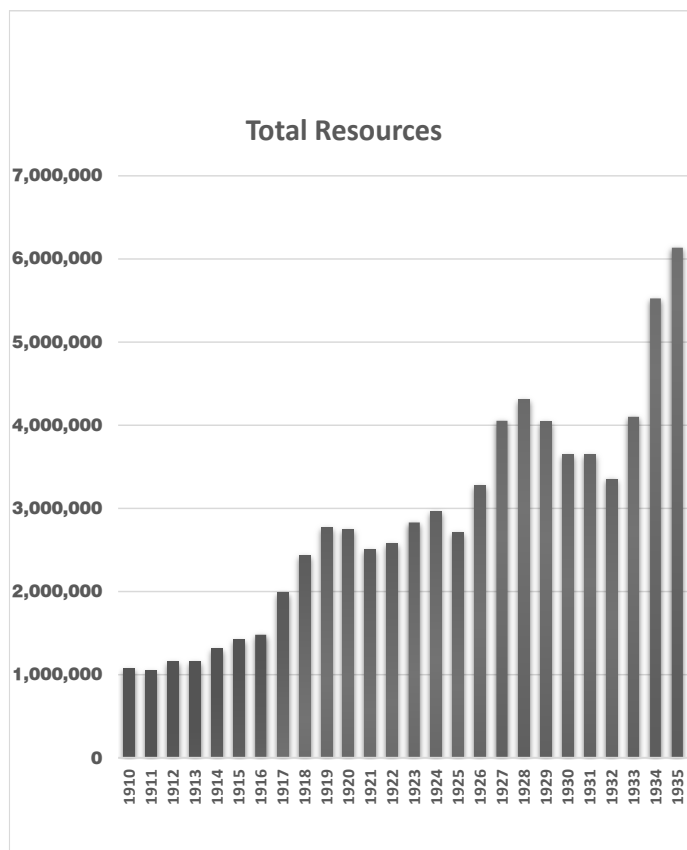


Figure 3. Total resources, First National Bank of Santa Fe, New Mexico, 1910-1935.

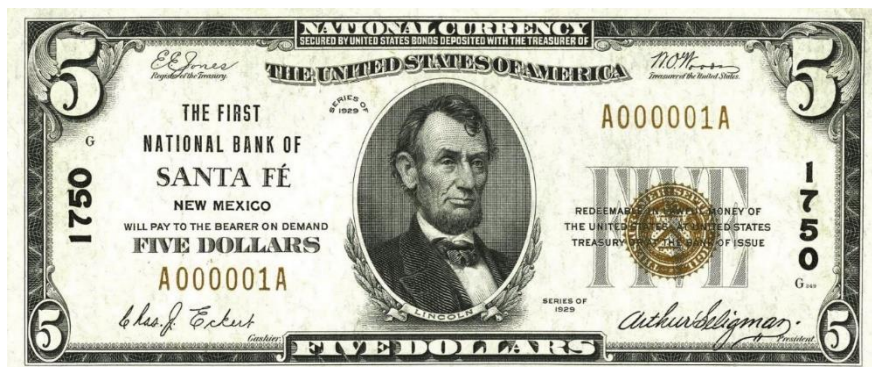


Figure 4. The short use of Series of 1929 notes by The First National Bank of Santa Fe happened to bridge the type 1 and 2 issues. Heritage Auction Archives photos.

The bankers quickly began to circulate the notes because the first of them began coming in for redemption on June 13, 1933.

Arthur Seligman died September 25, 1933.

Bond Sale

The new president, P. A. Walter, didn't wait until July 22, 1935 to sell the bond position—the date when the temporary circulation privilege expired. Instead, the bonds were sold at the beginning of June 1934, so the bank was once again out of the currency-issuing business. By then, its total resources had rebounded and were rising as if the Great Depression hadn't occurred. Obviously, Seligman's short-term position in the bonds proved wise but now the bankers had better opportunities for that money than government bonds and the profits that could be made from issuing national currency against them.

In the meantime, the replacement of worn Series of 1929 notes depleted the initial printing of type 1 notes so second and third printings were received by the Comptroller's office on October 6, 1933 and March 27, 1934. However, they consisted of type 2 notes. Thus, the bank got to issue both types during the short time that it was using the series.

Consequences

The reports of condition for national banks published in the annual reports of the Comptroller of the Currency dating from 1926 forward were called on December 31st. The deposit of the bonds to secure the Series of 1929 issues by The First National Bank of Santa Fe spanned March 21, 1933 to July 2, 1934, so the bankers were liable for the circulation tax only for that period. Consequently, their \$150,000 worth of Series of 1929 notes appeared only in their 1933 report of condition, yielding the one-year spike on Figure 3. It was this unusual one-year spike that caught our attention.

We collectors tend to view the issuance of national bank notes as a continuum. Cases such as this are jarring and always worth exploring because they involve unusual circumstances. Once we discovered it, we took a look at the bank's Series of 1902 plain back issues knowing they were equally unusual because

they terminated at the end of 1924. Sure enough, the high serials reported from that series in the National Currency Foundation census are the following: \$5 N18313H-11552-F and \$10 R614784H-7882-C, both printed in 1924. Had the bankers not sold their bonds in 1924, but instead continued issuing until the end of the large note era in 1929, their Series of 1902 notes would be far more common than they are.

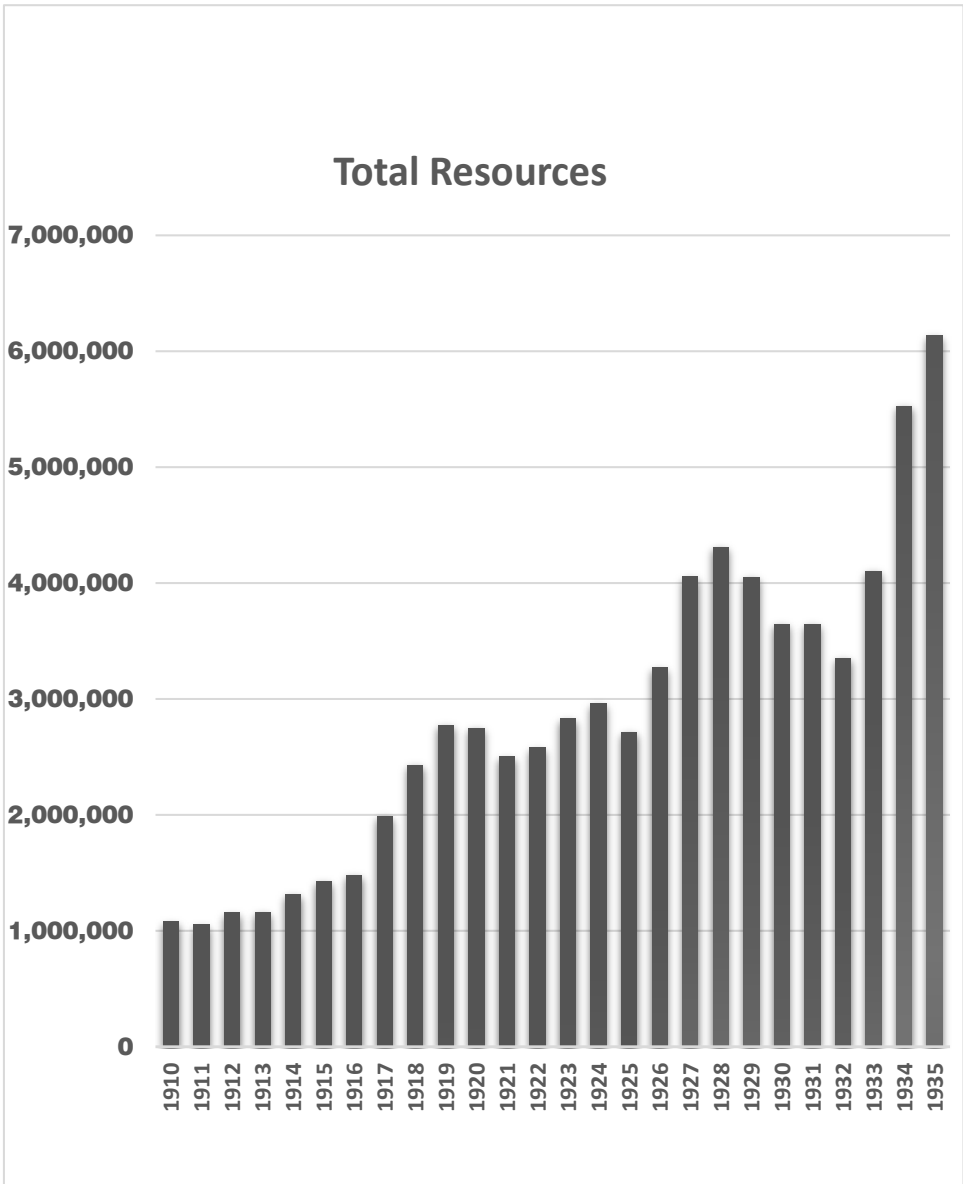
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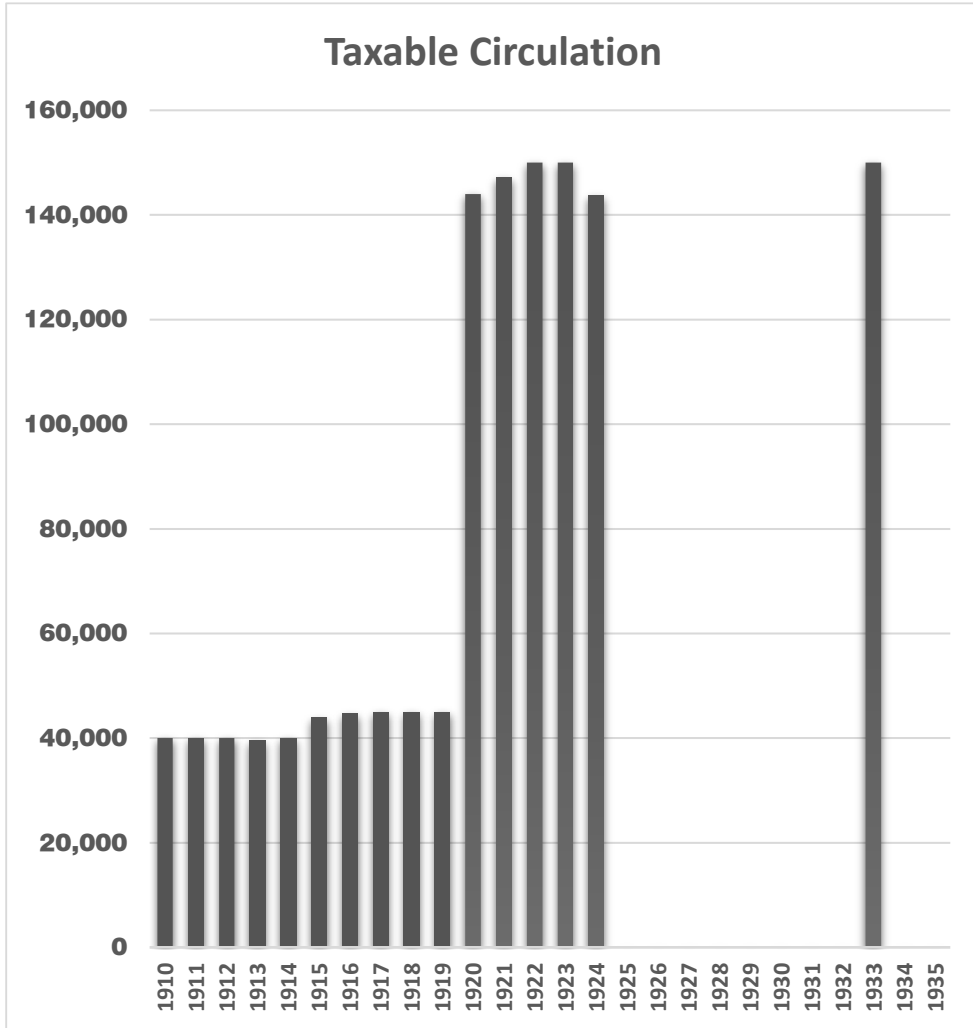


Figure 3. National bank note circulation, FNB of Santa Fe, NM, 1910-1935.

Figure 4. Type 1 \$5 sent to the Santa Fe bank on March 21, 1933. Heritage Auction Archives photo.