

## NATIONAL BANK NOTES SERIES 1929

WERE ISSUED FOR ONLY SIX YEARS, FROM JULY 15, 1929 TO JULY 10, 1935

TYPE I NOTES FROM JULY 15, 1929 TO MAY OF 1933

TYPE II NOTES FROM MAY 1933 TO JULY 10, 1935

THESE SMALL-SIZE NATIONAL BANK NOTES OCCUPY A SPECIAL PLACE IN U.S. MONETARY HISTORY

by KEN McDANNEL

**I**N the early days of collecting, paper money collectors were considered to be "rag pickers" by other numismatists. That derisive attitude has not totally disappeared. Nevertheless, most paper money collectors began their collecting with coins. The lowly "rag" has come a long way as we see more and more coin dealers adding paper money to their inventories. Within our fraternity, some collectors of large-size paper money consider collectors of small-size national bank notes as less serious in their pursuit.

There have been only eleven paper money exhibitors to receive the Best of Show Award at the annual ANA convention; the first, William Philpott, Jr., in 1953. In 1991 *PAPER MONEY* editor, Gene Hessler, joined that distinguished list. These eleven accolades have reconfirmed the fact that paper money does not take a backseat to coins.

There have been pioneers and champions of both large- and small-size national bank notes. They are numerous and de-

serve our respect for their work in preserving the rich heritage they have passed on to us.

The M. Owen Warns project of reporting newly-discovered notes for banks that issued small-size nationals was a major undertaking. Mr. Warns' monumental efforts were begun at a time when information was almost non-existent. The result of Owen's labor of love gives us the extra knowledge that enhances small-size national collecting. Upon the death of Mr. Warns, Tom Snyder took over and did an admirable job until reporting almost stopped. The last supplement to the project was in *PAPER MONEY*, May/June 1990.

We now ask you to send the best photocopies of your heretofore unreported notes to Ken McDannel, 1405 Weaver St., S.W., Canton, OH 44706. Some notes, if the quality of reproduction is good enough, will be illustrated in these pages, and contributors will be acknowledged, unless you specify anonymity.

## Where are the Paia Territory of Hawaii Nationals?

**T**HE First National Bank of Paia, Territory of Hawaii (10451) is the only one of the five note-issuing national banks in Hawaii for which no notes are reported. The census of reported large-size Hawaii notes as of July 20, 1996 is 184 notes split as follows: Honolulu (5550) 177; Kahului (8207) four, Wailuku (5994) two, Lahaina (8101) one. These totals track the numbers of large-size notes issued by those banks, respectively 978,912; 19,964; 11,964 and 1,772 notes.

The Comptroller of the Currency sent only one shipment of notes to the Paia bank—200 sheets of 10-10-10-20 Series of 1902 blue seal date backs. Did any of these 800 notes survive?

The answer is that a reading of the currency and bonds ledgers for the bank reveals that the notes never reached circulation. Rather, it is all but certain the sheets were returned to the Comptroller when the bank was liquidated in 1917.

The First National Bank of Paia was organized on July 29, 1913, and chartered on September 26, 1913. It was the fourth national bank organized on Maui, joining those in Wailuku, Kahului and Lahaina. Honolulu (5550), Hawaii's only other note-issuing bank was on Oahu. The First National Bank of Paia was the third in a chain of small national banks on the island owned by the same interests, the others being The First National Bank of Wailuku and The Lahaina National Bank. C.H. Cooke was president and C.D. Lufkin was cashier of all three. All three banks were voluntarily liquidated and merged to form the Bank of Maui, Ltd. on May 1, 1917.



### THE PAPER COLUMN

by Peter Huntoon



M. J. K.

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Approved: E. C. K. G. W.

Director

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The following entries summarize the information in the currency and bond ledger for The First National Bank of Paia.

**Bond record:**

Sep 26, 1913	\$10,000	bonds purchased
Jun 4, 1917	\$10,000	legal money deposited
Jun 4, 1917	\$10,000	bonds sold

**Currency received from the Bureau of Engraving and Printing:**

Oct 30, 1913	1-450	10-10-10-20 sheets
Oct 29, 1914	451-550	10-10-10-20 sheets
Jun 20, 1917	201-550	10-10-10-20 sheets canceled

**Currency issued:**

Oct 30, 1913	1-200	\$10,000
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**Redemptions:**

Jun 4, 1917	\$10,000	legal money
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**Ledger closed: Sep 21, 1918.**

This ledger has all the characteristics of one for a bank for which the officers returned all of the sheets in unissued form. The fact that the ledger stayed open for almost four years without any redemptions reveals that the notes never were pressed into circulation. The fact is, the typical redemption rate after four years was about 70 to 80 percent of the notes issued. There should have been plenty of redemptions as well as replacement shipments.

In order to liquidate, a bank had to deposit lawful money equal to the outstanding circulation. This deposit was made in this case on June 4, 1917, and is entered in both the redemption ledger and bond ledger as \$10,000 legal money. Although not specified, it certainly appears that the \$10,000 was in the form of the 200 sheets of notes that had been sent to the bank three and a half years earlier.

One caveat is in order. There is nothing in the record or the regulations which specifies that any or all of the \$10,000 legal money consisted of Paia notes. We can dream of the unlikely chance that someone in the bank saved the number "1" sheet and substituted \$50 for it, but that seems most improbable.

# The Basics

by BOB COCHRAN

## WHAT IS A BANK NOTE REPORTER OR COUNTERFEIT DETECTOR?

Because of the widespread "discounting" described previously, and because many banks failed, the acceptance of paper money

was always strained. Travelers leaving home with several hundred dollars of "good" paper money from their local bank often found themselves "haggling" with merchants and bankers who refused to accept the notes at face value.

A small industry was created by firms and individuals who "brokered" (or "shaved") notes. The earliest records of a broker are dated 1786. Basically, they would buy and sell paper money from banks outside their locality. Many of them published the discounts at which they would buy and sell—or "exchange" notes. A broker in New York might accept \$100 in notes from a Rhode Island bank at 95% of their face value, and either pay out in New York notes—OR—pay out in notes from Connecticut that were *also* "exchanged" at 95% of their face value! Either way, the broker earned a commission.

The common theme in all of these transactions was that *everyone* was taking a risk! The information that the brokers had available to them was sometimes days or weeks old. In the time it took for the person from Rhode Island to travel to New York, the bank in Rhode Island may have failed! So the broker was stuck with \$100 in worthless paper.

At this same time, counterfeiting of bank notes was wide spread. The common practice was to circulate the notes as far away as possible from the "supposed" issuing bank. Even when these notes were detected, the information was often weeks or even months reaching all parts of the country.

Over a period of time, the brokers developed listings of banks which had failed, notes that were counterfeit, and a general discount schedule that they followed. According to Dillistin, probably the first of these tables to appear regularly in a newspaper and in general circulation was the *bank note exchange*. It was first published in *The American* newspaper in New York City on July 14, 1819. By the following year, such features were regularly seen in newspapers throughout the country.

But the earliest "counterfeit detectors" (the specific use of that term) is probably a broadside sheet published by Gilbert and Dean of Boston, in 1805. This sheet met with great interest, and in 1806 they published a 12-page pamphlet entitled, "The Only Sure Guide to Bank Bills; or Banks in New-England; with a statement of Bills Counterfeited."

By the middle of the 1820s regular publications like this were available through subscriptions. They were updated regularly, and welcomed by bankers, brokers and merchants everywhere. They were indispensable, and kept close at hand by bank officials and all who regularly handled currency.

All of these "detectors" and "reporters" are avidly sought by serious collectors of obsolete notes, because they are a treasure trove of information. In some cases counterfeits are all we have to go by with respect to what the genuine notes looked like, because no genuine notes are known to exist! And for notes that are unknown in either genuine or counterfeit, many of these publications describe the genuine issues in great detail.

Perhaps the most popular and well-known of the "detectors" are the many editions of the *Infallible Counterfeit Detector* published by Laban Heath. Some of these publications contain impressions of portraits of genuine U.S. currency, furnished by the government.