Series of 1929 Dallas Federal Reserve Bank Notes Revealed

by Lee Lofthus

Newly uncovered correspondence files in the National Archives from the Federal Reserve Bank of Dallas reveal exactly how and when the Series of 1929 Dallas Federal Reserve Bank Notes were issued during the Great Depression and World War II.

The monetary and legal basis for the 1933 issuance of the Series of 1929 FRBNs and their subsequent use in WWII was chronicled by Huntoon and Lofthus (2010). Included was detailed issuance data for the Federal Reserve Bank of San Francisco.

Data in this article will make Dallas and San Francisco the only two districts where specific issuance information has been found showing the split by denomination and serial number between the Depression and WWII issuances.

Overview of Series of 1929 FRBNs

The Treasury Department, acting under authority granted to it in the Emergency Banking Act March 9, 1933, had $911,700,000 worth of Federal Reserve Bank Notes printed in 1933 and 1934. The act allowed Federal Reserve Banks to issue FRBNs backed by certain classes of government bonds and commercial paper deposited with them by member banks. The Bureau of Engraving and Printing used available blank national bank note stock and quickly prepared logotype overprinting plates to turn out the needed notes in a matter of days after their authorization.

The premise for making the new currency available was a perceived lack of member bank liquidity associated with derangement of equity markets and a shortage of cash caused by hoarding by the public. Ironically, only 31.2 percent of the notes were put into circulation during the Depression.

$450,800,000 of the FRBNs printed in 1933-4 never even were shipped from the BEP vaults in Washington, so they were stored there for years afterwards. Another $199 million or so were held after the Depression as unissued, unmonetized money by the Federal Reserve agents in the various districts, either as new notes or fit notes redeemed from circulation.

Numismatists have known that there were two releases of the 1929 FRBNs, those during the Depression and those during WW II. It is logically assumed that those released during the Depression wore out and were destroyed, making survivors from those releases the scarcer.

While this often is true, the data in this article will reveal that the actual circulation patterns for the Dallas notes were far more complicated.

The Role of the Federal Reserve Agents

FRNs were issued through *Federal Reserve Agents*. The agents were representatives of the Federal Reserve Board of Governors and were board members at the bank at which they served. Each of the twelve Federal Reserve Banks had its own agent, who was located at the bank. The agents received the FRBNs in deliveries from the BEP authorized by the Comptroller's Federal Reserve Issue and Redemption Division. The notes were not considered monetized until the Federal Reserve agents released them to the issuing banks.

Each Federal Reserve bank provided collateral to the agent in an amount equal to the FRBNs being requested. The collateral in the case of FRBNs was eligible bonds and commercial paper deposited with the agent. Once the notes were properly collateralized, the agent issued the notes to the cashiers of the Federal Reserve banks and their branches.

Circulation of the Series 1929 Dallas FRBNs

The Dallas FRBNs are among the scarcest small size FRBNs. Official BEP records led us to believe that most were issued during the Depression. Specifically, a vault count of Series 1929 FRBNs held by the BEP as of May 23, 1939, disclosed that all of the Dallas $5 and $10 FRBNs had been sent to the Dallas agent, as were approximately 82 percent of the twenties, 85 percent of the fifties, and 66 percent of the hundreds. The BEP vault count also revealed that the Treasury still held $4,080,000 worth of unissued or redeemed fit Dallas notes, the smallest amount for any district. But this was the view from a purely Washington, DC, perspective!

The January 1935 Vault Count by the Dallas FRB Agent

In a memorandum dated January 31, 1935, Robert R. Gilbert, the Federal Reserve Agent for Dallas, reported on the number of Dallas FRBNs in his possession to Dallas FRB Governor Buckner A. McKinney. Because the notes were in Gilbert's hands, they were not monetized. Gilbert noted to McKinney that his report covered the main FRB of Dallas plus the three Dallas Federal Reserve branches in El Paso, Houston, and San Antonio.

Gilbert reminded McKinney that the Dallas FRB had deposited lawful money, i.e. legal tenders, with Treasury to cover all of the bank's outstanding FRBNs, and thus the bank reported no FRBNs in circulation. Gilbert also could not resist adding that "You will recall that without consulting us, the Federal Reserve Board had these notes printed for us shortly before or during the banking moratorium [of 1933]." Clearly the FRBNs were as controversial within the Federal Reserve banks as they were in some segments of the financial community and Congress.

Gilbert, after opining that the bank never requested the notes in the first place, went on to inform McKinney that while they had no intention of putting the fit notes they had on hand back into circulation anytime soon, "it might be well to keep them for possible use at a later date, in view of the fact that some legislation might be enacted requiring their use again, and the fact also that we had already incurred the expense of having them printed and shipped to us."

Gilbert added that "vault space for these notes is not an important one at the Head Office at this time, and is not a serious one at the branches…." Gilbert concluded that they could eliminate the expense of counting these notes during audits or examinations by placing them "in separate chests under seal."

One of the most interesting aspects of Gilbert's report is that it showed that all the new FRBNs in the District were held at the main Dallas Federal Reserve bank, $8,280,000 worth of $20, $50, and $100 notes. None of the branches retained any new notes from the original Treasury issue. Instead, the Dallas FRBNs held by the branch banks were fit notes originally circulated in 1933-4 and now redeemed and held in the vaults.

Actual Issue Patterns

The fact is that far more Dallas FRBNs survived until WWII than previously believed, including the $5 and $10 denominations that previously were thought to have been completely circulated in 1933-4. What we now know is that the 1935 Dallas vault audit showed that over one million notes originally issued in 1933-4 were recovered in fit condition and held for possible reuse.

Careful study of the accompanying tables is revealing. **Table 1** provides an overview of exactly what notes reached actual circulation in 1933-4, what notes were sent to the Dallas FRB agent in 1933-4 but withheld from circulation, and what notes were retained by the BEP until WW II.

Table 1. Number and timing of the issuance of new Series 1929 Dallas Federal Reserve Bank Notes.

	Issued to Circulation During 1933-4 Banking Emergency	New Notes Held by Dallas FRB Agent until WWII	New Notes Held by BEP until WWII	Total Dallas Series 1929 FRBN Issued	% of New Notes Issued 1933-4	% of New Notes Issues WWII
$5	996,000	0	0	996,000	100.00%	0.00%
$10	504,000	0	0	504,000	100.00%	0.00%
$20	352,000	32,000	84,000	468,000	75.21%	24.79%
$50	13,200	130,800	24,000	168,000	7.86%	92.14%
$100	13,000	11,000	12,000	36,000	36.11%	63.89%
Total	1,878,200	173,800	120,000	2,172,000	86.47%	13.53%

This table omits notes issued in 1933-4 then redeemed by FRB agent and held for reissue in WWII. See Table 2 for those.

Table 2 reveals that almost 58% of the Dallas FRBNs circulated during 1933-4 were retrieved from circulation in fit condition and held in the vaults of the FRB and its branches. The remainder that were circulated were worn out and destroyed.

Table 2. Number of Series of 1929 Dallas FRBN issued during the 1933-4 Banking Emergency that were redeemed in fit condition and held by FRN agent until reissue in WWII.

	Issued to Circulation during 1933-4 Banking Emergency	Fit Notes Redeemed by January 1935 and Reissued During WWII	Percentage of 1933-4 Notes Redeemed and Reissued During WWII
$5	996,000	602,650	60.51%
$10	504,000	274,700	54.50%
$20	352,000	183,700	52.19%
$50	13,200	9,860	74.70%
$100	13,000	7,505	57.73%
	1,878,200	1,078,415	57.42%

Table 3 has two very interesting features. First, it shows that the Dallas FRB and its branches had significantly more notes at their disposal during WWII than did the BEP. In fact, **Table 3** shows the Dallas FRB agent had ***more than ten times the number of notes on hand*** on

the eve of WWII than did the Treasury itself because of the fit notes the Dallas FRB and its branches retrieved and held after brief circulating them during the Depression. Significantly, almost half (48 percent) of the 1.2 million Dallas notes held in the district were $5s.

The second interesting fact on **Table 3** is how many new $50 Dallas FRBNs were held until WWII. Dallas fifties are scarce and pricey items in the numismatic market today, a fact seemingly in line with the previous erroneous belief that 85 percent of the Dallas fifties were used up during the Depression. **Table 3** shows clearly that was not the case. Even so, $50 Dallas notes still remain elusive in high grade.

Table 3. Series of 1929 Dallas FRBN notes, new and fit, placed in circulation during WWII.

	New Notes Held by Dallas FRB Agent Until Issued in WWII	Redeemed Notes from 1933-4 Held by Dallas FRB Agent and Reissued During WWII	New Notes Held by BEP Until Issued in WWII	Total
$5	none	602,650	none	602,650
$10	none	274,700	none	274,700
$20	32,000	183,700	84,000	299,700
$50	130,800	9,860	24,000	164,660
$100	11,000	7,505	12,000	30,505
	173,800	1,078,415	120,000	1,372,215

Table 4 contains the serial numbers of the FRBNs from Dallas and when they likely were issued, assuming that they were issued in serial number order. All indications are that notes were sent from Washington to the FRB agents in serial order. However, at the district, serial order was not maintained once notes were issued to the branches and the public.

Table 4. Issue of New Series of 1929 Dallas FRBN by Serial Number. These data assume the notes were shipped from the BEP to the Dallas Federal Reserve bank agent in numerical and then released to the bank in numerical order, which was customary.

	Banking Emergency Serials Issued 1933-4	Serials Held by Dallas FRB Agent Until Issued During WWII	Serials Held by BEP Until Issued During WWII	High Serial Number Issued
$5	K00000001A-K00996000A	none	none	K00996000A
$10	K00000001A-K00504000A	none	none	K00504000A
$20	K00000001A-K00352000A	K00352001A-K00384000A	K00384001A-K00468000A	K00468000A
$50	K00000001A-K00013200A	K00013201A-K00144000A	K00144001A-K00168000A	K00168000A
$100	K00000001A-K00013000A	K00013001A-K00024000A	K00024001A-K00036000A	K00036000A

A Truly Close Call

The fact that the new and unissued two-thirds of the small size FRBNs printed in 1933-4 were put into circulation in WWII almost didn't happen. First, the Federal Reserve banks themselves were lukewarm about the notes, and had every opportunity to redeem them for destruction after the Depression cash crisis eased. Only their innate frugal banker instincts – they paid for the printing and delivery of the notes, so why not hold on to them – kept the notes in the various FRB vaults for years.

On April 25, 1941, seven and a half months before Pearl Harbor, Liston P. Bethea, an Assistant Secretary for the Federal Reserve Board of Governors, wrote the presidents of each Federal Reserve Bank about concern over anticipated crowded vault conditions in the future. As the country's industries were gearing up to be Roosevelt's "arsenal of democracy" for Britain and the other allies, Bethea explained the Board was looking ahead to the nation's burgeoning economic expansion. One of the twelve districts (unidentified unfortunately) raised the idea of canceling its dormant FRBN supply to free up vault space, and the idea must have resonated with the Board. Bethea raised with the FRBs the idea of canceling and shipping to Washington for destruction the stocks of FRBNs they held. The Board wrote "there appears to be little likelihood that it will be found necessary or desirable to pay out existing stocks of unissued Federal Reserve Bank notes."

Bethea's letter made the offer that if the districts wished to cancel and ship the notes to Washington for destruction, "the Board will interpose no objection." The only evidence I have found to date of a bank sending in notes in for destruction was the Cleveland Federal Reserve Bank, which sent in $10,125,000 of its $5, $50 and $100 FRBNs for destruction, presumably worn notes.

Bethea's closed his letters to the districts by alluding to the $450,800,000 in new FRBNs held by the BEP and saying "It is not contemplated that the stock of Federal Reserve Bank notes in Washington will be destroyed at this time." This created the inconsistent message that Treasury was holding onto its Series 1929 FRBN supply in the BEP vault whereas the banks were being given the green light to destroy their own stocks.

The Treasury Department turned out to be the wiser in this move – Pearl Harbor brought the U.S. into the war in both Europe and the Pacific, and in November 1942 the secretary of the Board of Governors of the Federal Reserve System, Chester Morrill, wrote to Treasury Secretary Henry Morgenthau Jr. requesting that Federal Reserve banks be allowed to address a critical shortage of Federal Reserve notes by issuing the long dormant stocks of FRBNs held by both the BEP and the districts.

Survival

Small size Dallas FRBNs are avidly collected, and while the $5 notes are considered common, the $10 and $100 notes are scarce, and the $20 and $50 Dallas FRBNs are keys, especially in high grades. Star notes, of course, are commensurately tough to find.

Several low serial number notes are reported among the $5s. A small group of high grade Dallas $10s with serials around the K00454xxxA range came from the Amon Carter estate in 1983, all with slight stains in the bottom margin.

Illustration 1: this serial number K00000005A Dallas $10 note is a prize, ex Amon Carter and Tom Flynn collections. Illustration courtesy of Heritage Auctions.

The joker in the group is the $50 note. 92 percent of the fifties were held in new condition between the Dallas agent and BEP, and were available for release during WWII. Even so, Dallas $50s are rare. In contrast, the $50s from Cleveland and Kansas City that came out in quantity during WW II are common, as are the $100s from Cleveland and Minneapolis held in large numbers until the war.

As expected, almost every Dallas $50 note on the market today is from the high serial range K001440001A and above (see **Table 4**), which represented the 24,000 notes released from the BEP stock during WWII. Far rarer is a Dallas $50 from the Depression release of the first 13,200 serials. Surprisingly, few if any $50 notes have appeared from the much larger hoard of 130,800 notes held by the Dallas agent, serials K000132001A to K00144000A. The fate of this group is unexplained.

Illustration 2: this low serial number note is a rare survivor of the 13,200 Dallas $50 notes released during the Depression years of 1933-4. Almost every other Dallas $50 note seen today survives from the BEP vault stock released in WWII. Illustration courtesy of Lyn Knight Auctions.

Perspective

It is clear that those of us who have compiled data for the Series of 1929 FRBN issues from Treasury sources have been guilty of using readily available data of what remained unissued from the printings in the Bureau of Engraving and Printing vaults at the end of the Depression vaults as the number of notes available for issue during WW II. The more complex picture painted here for the Dallas bank reveals that stocks of new and redeemed fit notes held by the agents of the banks could totally skew our simplistic assumptions. Case at point, all the 1929 Dallas $5s were shown as released to the Dallas bank and presumed circulated during the Depression. Now we have proof that most were available for release during WW II either as new notes or redeemed fit notes held by the Dallas agent. The holdings by the Dallas Agent Gilbert were totally below our radar. No wonder Dallas $5s did not become rarities!

Similar "below the radar" anomalies like the Dallas $5 and $50 notes no doubt exist among the other ten districts, a fact collectors should keep in mind as you search for your next FRBN scarcities.

Pack your bags and

get ready to go!

***Me*mphis is coming!!**

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Acknowledgements

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