



The Paper Column
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Origin of Series of 1907 \$10 Gold Certificates and \$5 Legal Tender Notes



Figure 1. Series of 1907 \$10 gold certificates, a series created to alleviate a shortage of small denomination notes in circulation, became the most widely used of the \$10 Treasury currencies available in succeeding years. Heritage Auction archives photo.

The officials in the U. S. Treasury were saddled with an annoying dilemma in the years immediately following the turn of the last century. They couldn't supply sufficient numbers of low denomination notes to satisfy public and commercial demand. Their definition of low denominations was those of \$10 or less.

The purpose of this article is to explain the steps taken to resolve the problem.

U. S. Treasurer Charles H. Treat braced Congress to take action in his 1906 annual report as follows (Treat, 1906, p. 129).

CONGRESS CAN PROVIDE REMEDIES

The National Government furnishes nearly three-fourths of the paper circulation, and the supply of denominations should respond to the demands of the public. The pressure from bankers and others for a larger and regular supply of small denominations of currency continues unabated, with the Treasury unable under existing law to comply with the urgent requests. The sentiment of the country seems so unanimous for a rectification of this untoward condition that it is naturally to be expected that Congress will ultimately enact the legislation that it has under consideration, which will bring full relief to Treasury conditions and add to the volume of small denominations without inflating the currency.

What Treat meant by the Federal government supplying three-fourths of the currency supply was Treasury currency—legal tender notes, gold certificates and silver certificates—which were current at the time, as opposed to bank currency, which at the time consisted wholly of national bank notes.

The recently passed Gold Standard Act of March 14, 1900, crimped the ability of the Treasury to supply small denomination currency. It along with all previous legislation authorizing the issuance of gold certificates required that they be at least \$20 denominations.

The Gold Standard Act also imposed guidelines for the silver certificate and legal tender issues; specifically, future issuances of silver certificates were largely restricted to \$10 and smaller denominations and issuances of legal tender notes to \$10 and higher denominations. These edicts were specified in Section 7 as follows.

That hereafter silver certificates shall be issued only of denominations of ten dollars and under, except that not exceeding in the aggregate ten per centum of the total volume of said certificates, in the discretion of the Secretary of the Treasury, may be issued in denominations of twenty dollars, fifty dollars, and one hundred dollars; and silver certificates of higher denomination than ten dollars, except as herein provided, shall, whenever received at the Treasury or redeemed, be retired and canceled, and certificates of denominations of ten dollars or less shall be substituted therefor, and after such substitution, in whole or in part, a like volume of United States notes of less denomination than ten dollars shall from time to time be retired and canceled, and notes of denominations of ten dollars and upward shall be reissued in substitution therefore, with like qualities and restrictions as those retired and canceled.

The upshot was that the future \$1, \$2 and \$5 Treasury currency issues were going to be confined to silver certificates and past \$1, \$2 and \$5 legal tender notes were going to be withdrawn from circulation.

The total circulation of legal tender notes had been fixed at \$346,681,016 when “An act to forbid the further retirement of United States legal-tender notes” was passed on May 31, 1878. The last of the Series of 1880 \$1 and \$2 legal tender notes had been printed in fiscal year 1896, and now, in 1900, production of the \$5s ceased. Modest widely spaced printings of \$20 Series of 1880 legal tenders were printed up through fiscal year 1926, and there even were printings of \$1000s in 1904 and 1909 totaling 56,000 notes. However, production of all the other high denomination legal tenders ceased in 1900. Thereafter, \$10s became the primary substitutes for the redeemed legal tenders as the provisions of the Gold Standard Act were carried out.

It is no coincidence that the issuance of modernized \$10 Series of 1901 bison legal tender note was launched as a one-denomination series. The Treasury hoped they would go a long way toward satisfying



Figure 2. The Gold Standard Act of 1900 eliminated the production of \$1, \$2 and \$5 legal tender notes and elevated \$10 legal tender notes to a position of dominance in future large-size legal tender circulation in the form of these Series of 1901 bison notes. Heritage Auction archives photo.



Figure 3. The annual reports by Treasurer Charles H. Treat provide the basis for our understanding of the call for and impact of the Act of March 4, 1907, that addressed a lack of small denomination notes in circulation. Brooklyn Daily Eagle, Oct 3, 1906, photo.

the demand for \$10s. Concurrently, the production of permitted \$10 Series of 1891 silver certificates was wound down to zero by fiscal year 1904, so that \$1, \$2 and \$5s silver certificates could be substituted in their stead.

The burden for supplying \$1, \$2 and \$5 notes rested entirely on the silver certificates after the Gold Standard Act went into effect. The volume of those notes was limited by the volume of higher denomination silver certificates that could be redeemed and reissued in the smaller denominations plus new silver purchases that could be coined into silver dollars that the Treasury would stockpile to back additional issues.

Treasurer Treat made it clear that the low denomination silver certificate emissions weren't up to the task of meeting the demand. Much of his concern, which was not stated, was the Congressionally mandated limitations remained on silver purchases. The hard money Republican faction in Congress considered silver money to be inflationary because so much silver was being produced. Although they deplored monetizing silver, their compromise with the soft money crowd was to impose legislated limitations on how much of it that Treasury could purchase and coin into dollars to back silver certificates.

Treasury's pleas for Congressional relief over the small-denomination dilemma was forthcoming with passage of amendatory legislation passed March 4, 1907. The sections in that act relevant to this discussion are reproduced here with the revised language highlighted in boldface.

Act of March 4, 1907

An Act To amend the national banking Act, and for other purposes.

Sec. 6. That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the Treasurer, or any assistant treasurer of the United States in sums of not less than twenty dollars, and to issue gold certificates therefore in denominations of not less than **ten dollars**, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purposes. Such certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve. * * * **That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less.** * * *

Sec. 2. That whenever and so long as the outstanding silver certificates of the denominators of one dollar, two dollars, and five dollars, issued under [Act of March 14, 1900] shall be, in the opinion of the Secretary of the Treasury, insufficient to meet the public demand therefor, **he is hereby authorized to issue United States notes of the denominations of one dollar, two dollars, and five dollars, and upon the issue of United States notes of such denominations an equal amount of United States notes of higher denominations shall be retired and canceled:** *Provided, however,* That the aggregate amount of United States notes at any time outstanding shall remain as at present fixed by law [\$346,681,016]: *And provided further,* That nothing in this Act shall be construed as affecting the right of any national bank to issue one-third in amount of its circulation notes of the denomination of five dollars, as now provided by law.

Treasurer Treat jubilantly reported passage of the Act of 1907 in his annual report for 1907 as follows (Treat, 1907, p. 135).

DEMAND FOR SMALL DENOMINATION CURRENCY

Recent legislation by Congress, without inflating the currency, has enlarged the resources of the Treasury for the issue of small denominations through the process of redemption and reissue. The change will be made as rapidly as possible under existing conditions. The facilities for printing the notes are limited at present, but it is expected that the output in the near future will enable the Department to respond promptly and fully to all demands for small denominations of currency.



Figure 4. The Act of March 4, 1907 authorized the issuances of \$1, \$2 and \$5 legal tender notes to help alleviate the shortage of small denomination notes. Only these Series of 1907 \$5s were actually used until 1917. Heritage Auction archives photo.

The national banks have increased the volume of their \$5 notes from \$76,889,175 outstanding June 30, 1906, to \$118,596,700 on October 1, 1907, and it is expected that they will continue the growth of that denomination until the limit (one-third in amount of their circulating notes) has been reached.

There were three items of particular note in the 1907 legislation. First, \$10 gold certificates were authorized for the first time in our history, a denomination considered to be in short supply. Second, the restrictions against the printings of \$1, \$2 and \$5 legal tender notes in the Gold Standard Act were lifted. Third, no new restrictions were placed on the issuance of \$5s by national banks, so their continued availability would help alleviate shortages of \$5s.

The Treasury responded immediately by putting into production two new series; specifically, Series of 1907 \$10 gold certificates and Series of 1907 \$5 legal tender notes. At the outset, each of these series contained only one denomination in its class similar to the Series of 1901 \$10 legal tenders. However, a newly redesigned \$1000 was added to the Series of 1907 gold certificates in fiscal year 1908, to replace the \$1000 1882 Department Series \$1000s last printed in FY 1904. No other denominations ever were added to the Series of 1907 legal tenders.

The contributions of Treasury currency toward supplying the demand for low denomination notes in the ensuing decade (July 1, 1907 through June 30, 1916) were these. Series of 1899 silver certificates accounted for all the \$1s and \$2s; respectively, 1,605,902,600 and 250,205,000 notes. Series of 1907 legal tender notes and Series of 1899 silver certificates shared the burden for the \$5s, split 183,318,000 and 209,581,000 notes, respectively. Series of 1901 legal tender notes, Series of 1908 silver certificates and Series of 1907 gold certificates accounted for 39,102,000, 8,081,000 and 99,276,800 \$10 notes, respectively. Clearly, the gold certificates did the heavy lifting for the \$10s.

There is a subtle but important factor that is important to this discussion. In 1878, when the outstanding circulation of legal tender notes was frozen at \$346,681,016, legal tender notes were the only class of currency defined as lawful money that could be used by bankers as reserves against their national bank note circulations and deposits. National currency was considered to be soft money because it was both backed by and redeemable into greenback legal tender notes, which were nothing more than circulating



Figure 5. The primary purpose for printing Series of 1907 \$1000s was so they could be substituted for high denomination legal tender notes and silver certificates in national bank reserves so that an equal amount of lower denominations in those classes could be reissued for use in circulation. Heritage Auction archives photo.

Federal debt. Hard money advocates wanted to do away with legal tender currency because they considered it to be inflationary. If they had succeeded in redeeming all of it, national currency would vanish as well.

The fact that national bankers had to tie up huge amounts of legal tender notes in their reserves meant that those notes were effectively off the streets and not available to commerce no matter what their denominations. Congress already had provided a mechanism to dislodge the legal tender notes held by the bankers in an amendment to the National Bank Act dated July 12, 1882. Section 12 of that act specified that gold and silver certificates shall be counted as part of the lawful reserve of national banks. This in effect defined silver and gold certificates as lawful money for national bank reserve purposes.

A careful reading of the Section 6 of the March 4, 1907, act reaffirmed the lawful status of gold certificates; specifically, “Such certificates * * * when held by any national banking association may be counted as a part of its lawful reserve.” Through this opening, bankers were encouraged to substitute gold certificates for their legal tender notes and silver certificates, and thereby release them to the Treasury so they could be converted into the needed low denominations in their respective classes.

Here is where the Series of 1907 \$1,000 gold certificates came in to play and the primary reason for producing them. The Treasury started printing the \$1000s in FY 1908 and by the end of FY 1917, 228,000 had been printed. Those notes were not at all useful in circulation; however, they were the perfect vehicle for national bankers to use for their reserves because they were compact and easy to count. The Treasury made them available for exactly this purpose. They would dislodge the high denomination legal tender notes and silver certificates from the banker’s reserves, which Treasury could then substitute respectively for new issues of \$5 1907 and \$10 1901 legal tender notes and \$1, \$2 and \$5 1899 and \$10 1908 silver certificates. This is exactly what transpired.

Notice here again, that the Treasury didn’t fall back to printing old design \$10 Series of 1891 silver certificates, which hadn’t been printed since FY 1903. Instead, in FY 1908, they came out with an entirely new modernized silver certificate series, the Series of 1908. Once again, we had a new series that was comprised of only one denomination. Ultimately a total of 10,208,000 of them were printed inclusive of FYs 1908 and 1918 to help alleviate the shortage of \$10s.



Figure 6. Another new series, the Series of 1908 silver certificates with but one denomination, a \$10, were forthcoming in FY 1908 to be used to help relieve the shortage of \$10s. Heritage Auction archives photo.

The provisions in Act of 1907 dealing with bank reserves seems quite arcane but notice that they created opportunities to accomplish the objective of introducing more \$10 and smaller denominations into circulation. Yes, subtle, but effective.

Notice that although authorized by the Act of March 4, 1907, no legal tender \$1s or \$2s were utilized until 1917. Silver certificates of those denominations satisfied the demand until then.

The Comptroller of the Currency did his part to help the situation in 1906, as per this circular sent to every national bank note cashier in the country (Ridgely, July 23, 1906).

Under authority of section 5172, U.S.R.S., relating to the engraving of plates and the printing therefrom of national bank circulation, you may order, if you desire, a plate for four \$10 notes in addition to or in lieu of any plate heretofore ordered by your bank, the cost of which to your bank will be \$75.

The act of March 14, 1900, provided in part that no national banking association shall be entitled to receive and issue more than one-third in amount of its circulating notes of the denomination of \$5; hence an association desiring to issue \$5 notes must necessarily issue also notes of other denominations. Heretofore orders have been received for the printing from one plate of three \$10 and one \$20, but to enable the issue of as large an amount of small notes as possible, the foregoing suggestion relative to ordering a plate for four \$10 is submitted.

The fact is that the problem of satisfying the demand for small denomination large-size notes never was fully resolved. As but one example, the Treasury resorted to issuing legal tender \$1 and \$2 in 1917, using the authority to do so vested in the Act of March 4, 1907, when silver certificates couldn't satisfy all the demand. These came out in the two-note legal tender Series of 1917.

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