

OBSOLETE PAPER MONEY

Privately issued paper money can be traced back to the eighteenth century (1700s) in the United States. Primarily, paper money of the 1700s consisted of notes issued by the Colonies and, later on, by the Continental Congress. After the war ended, both of these currencies depreciated rapidly in value. The holders of these notes received no payment in gold, or anything else, and as a result, US citizens lost faith in paper money issued by the government. Thus, federal paper money ceased to play a part in everyday commerce.

The vacuum created by this situation was soon filled. The banks chartered by the individual states obtained authorization to print and circulate their own notes, backed by coins on deposit. Later, railroads, insurance companies and private merchants also issued notes, most backed by nothing more than their promise to pay.

Many early bank notes were lithographed using black ink and illustrated with simple vignettes. Counterfeiters were able to reproduce these notes with good paper and ink. Issuers then created designs carved into blocks of wood. The counterfeiters were then forced to work harder and they were still able to produce reasonably good duplicates. Issuers then fought counterfeiters by hiring good artists and craftsmen to produce more detailed designs engraved onto copper plates.

By the 1840s counterfeiters began using cameras to aid them in their work. Bank note companies responded by employing some of the finest artists, inventors, and engravers in the country to produce exquisitely-detailed designs using the intaglio method of printing that cameras could not duplicate. The intaglio method begins with fine lines cut into a steel plate. The design is then done in reverse. Where the engraver wants black, he cuts into the plate. If white is desired, he leaves that portion of the plate untouched. The plate is inked in the printing process and then the surface is carefully wiped clean. The incised lines retain the ink, and the design is transferred to the paper when great pressure is applied.

As time went on the designs became more complex and color was added to many notes as a “color protector.” These improvements made counterfeiting much more difficult.

Early on, whenever a bank discovered that a counterfeiter had successfully copied an issue of notes, new designs had to be printed up and the old notes withdrawn from circulation. As noted the improvements made the counterfeiter’s job more difficult. Two of the best printers of this time were the National Bank Note Company and the American Bank Note Company, who created notes of exquisite design and workmanship.

The bank notes of this era depict scenes of everyday life, past presidents and famous persons, historical events in US history, famous buildings and institutions, sailing ships, Indians, trains, etc. Notes on some banks were also in odd denominations like \$1.25,

\$2.50, \$3, \$4, \$6, \$7, \$8, \$9 etc which circulated side by side with \$5s, \$10s, \$20s, \$50s, and \$100s.

When the Civil War began, the federal government did not have a central bank or banking authority to act as fiscal agent. Great resources were required to support the fighting units, and at that time the revenue system was based on customs duties and sales of public land. It was clear that these revenue sources would not be sufficient. The government needed some kind of currency with which to pay soldiers and purchase armaments, ammunition, food and supplies of war. With some 1,600 banks within the country issuing their own notes, this climate was inhospitable and unstable to utilize for financing the war. Thus the government was forced to take complete control of paper money issuance. In July, 1861, Congress authorized the issuance of demand notes to help pay the war bills that were piling up. Finally with the passage of the National Bank Act in 1863, other notes were issued – legal tender notes and national bank notes. At the same time, all other note issuers would be required to pay a 10% tax. This effectively ended the era of private note issues.