

NOTABLE NOTES

SEVENTY-TWO SHORT STORIES
AND THEIR HISTORICAL BACKGROUND
TOLD BY A COLLECTION OF LARGE SIZE US CURRENCY



BY PETER D. JONES

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**Seventy-two short stories and their historical background told
by a collection of large size U.S. currency**

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CHAPTER SIX

1862- THREE LEGAL TENDER ISSUES

The classification of Legal Tender Notes is complicated. There are the lumpers and splitters. Lumpers like to group everything together in the same category. Splitters like to create more categories with a longer list.

THE LUMPER CLASSIFICATION IS:

- Issues of 1862-3: 1st issue \$5-\$1,000, 2nd Issue \$1 - \$2, 3rd Issue \$5-\$1,000.
- Issues of 1869 on: 1869 rainbow issues, 1874, 1878 and 1880- same as rainbow but without rainbow color.
- 1901 special issue of bison, other issues repeated 1907 and 1917.
- 1923 \$1 Washington with Cogwheel back and \$10 Jackson Poker-chip.

THE SPLITTER CLASSIFICATION IS:

- 1st issue 1862 \$5 - \$1,000.
- 2nd issue 1862 \$1 - \$2.
- 3rd issue 1863 \$5 - \$1,000.
- 4th issue:
 - 1869 rainbows \$1 - \$1,000, with 1874, 1878, 1880 repeats.
 - 1907 repeat \$5 Woodchopper.
 - 1917 repeat \$1 and \$2.
 - 1923 \$1 Washington with Cogwheel and \$10 Jackson Poker-chip.
- 5th issue 1901 \$10 bison (special legislation).

Legal Tenders were fiat currency (backed by nothing). The government wanted to replace the eight-month-old Demand Notes (for which you could get coin) with a note that was not redeemable for coin. Legal Tender Notes were first authorized 2/25/1862. They were the longest-lived of the large notes, lasting 67 years– from 1862 to 1929.

Initially, there was no specific backing for Legal Tenders. Demand Notes had the obligation ‘U.S. promises to pay the bearer on demand’ and ‘receivable for all public dues.’ By contrast, the Legal Tenders said, “This note is legal tender for all debts public and private except duties on imports and interest on the public debt.” However, Legal Tender Notes were exchangeable for one thing- U.S. 6% Treasury Bonds; i.e. they were backed by bonds, as stated in the first obligation. The second obligation issues omit the backing by 6% U.S. Treasury Bonds. By contrast, the Demand Notes had been exchangeable for coins. (Later in 1879, Legal Tenders were redeemable for gold at par. By that time, Legal Tenders comprised 48% of all circulating paper money).

The clause on Legal Tenders that said, “... except duties on import and interest on public debt” was called the exception clause, which the Senate imposed. Thaddeus Stevens, chairman of the House of Representatives Ways and Means Committee that had authorized Legal Tenders, was very upset with the Senate exception clause. It made Legal Tenders a de facto depreciated currency, as they traded at a discount in public whereas banks got gold for them. However, the Senate knew it was necessary to placate the banker, as they could not fund the Civil War without their help. During the Civil War, bankers wanted gold rather than paper money to pay the national debt.

Legal Tenders were also called green backs just like the Demand Notes. The total authorized was \$346 million. By contrast, the Demand Note issues were only \$60 million. So, in 1862 Congress began to realize the Civil War would not be over quickly. Legal Tenders, or U.S. Notes as they are also called, were the second paper currency the U.S. government used during the Civil War to replace Demand Notes.



JT 3 second issue \$1 Legal Tender 1862, Fr 17a, VF30, Accession # 1231.

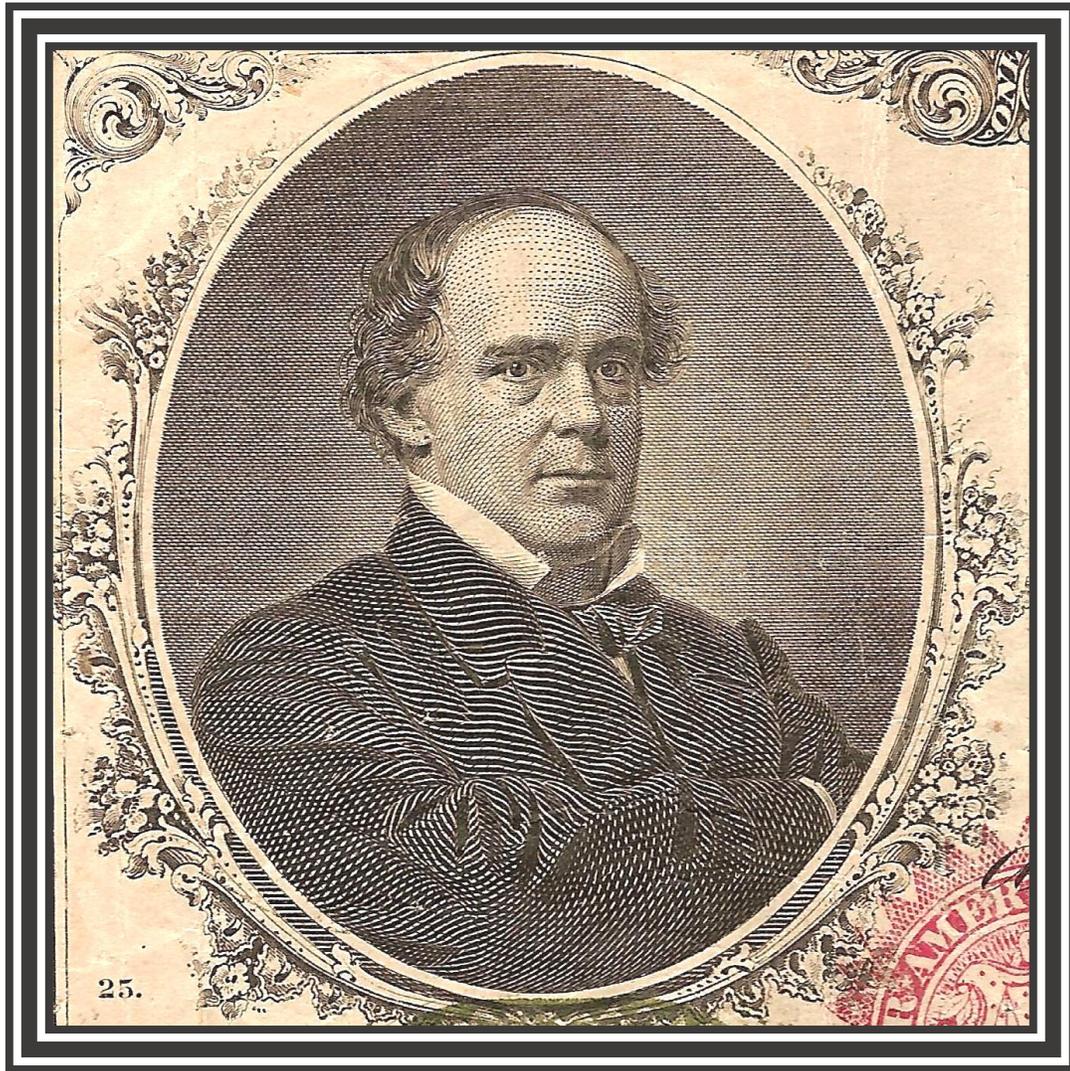
In an era of hand trimming, this note was cut slightly diagonally. Two hundred four are known for this variety in the Gengerke census. *Track and Price* lists 351 examples of Fr 17a in 2009. In 2012, 291 are predicted, with 1,262 for the type in the Gengerke CAGR. Values are \$625 in F, \$750 in VF and \$1,550 in EF. Fr 16 has 'National Bank Note Co.' twice above the lower border; Fr 17a, which precedes Fr 16, has 'NBNC0' then 'ABNC0' instead. Fr 17a is a little rarer than Fr 16 at 204 versus 683 in the 2006 Gengerke census, B&S # 31. There is a small red spiked seal and it is signed by Chittenden and Spinner. There were 34 spikes to the seal, the number of states in the USA (North and South) in 1862. This symbolized that the Union still regarded the CSA as part of the U.S. Charles Burt engraved the portrait of Salmon Chase.

Salmon Chase (1808-1873) was the father of U.S. paper currency. He was born in New Hampshire and raised by his uncle- an Episcopal bishop. He attended Dartmouth College and graduated at age 18. He moved to Washington to study law under the U.S. Attorney General William Wirt. He then moved to Cincinnati and at the age of 22 published the annotated laws of Ohio. He married, but his wife died in 1835 when he was 27. He became more spiritual, led an anti-slavery movement and defended escaped slaves.

In 1841, he became a leader of the Liberal Party in Ohio. In 1848, the Liberal Party combined with the Van Buren Democrats (also called the Barnburners) to form the Free Soil Party. It was through Chase's influence that Van Buren was nominated for President. In 1849, he was elected as Ohio Senator on the Free Soil Party ticket. Chase did not really want a new party; he just wanted to get northern Democrats to espouse anti-slavery. During his Senate tenure, he was a spokesman against slavery during the 1850 compromise and in the 1854 Kansas-Nebraska legislation. Violence in Kansas

after this made him realize he could not influence northern Democrats. So, he united the liberal Democrats with the Whigs to form the Republican Party. He published the first creed of the Republican Party in the New York Times on January 24, 1854.

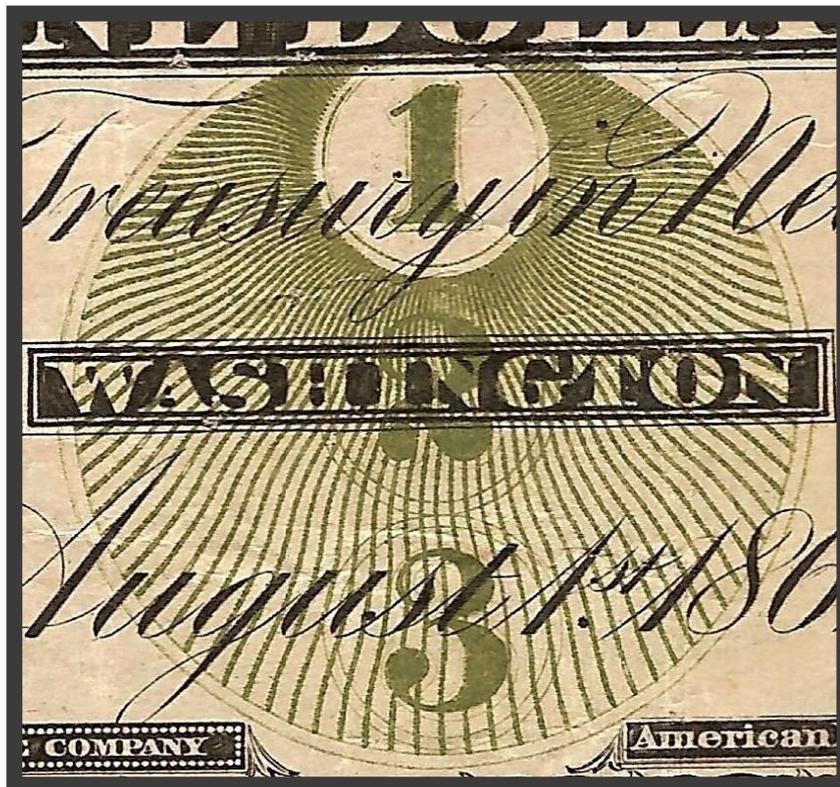
He was the first Republican governor of Ohio from 1855 to 1859. Today, we think of the Republicans as being pro-business, anti-tax, anti-big government and pro-defense. But originally, they were anti-slavery, pro-women's rights, pro-public education and pro-prison reform. In 1860, Chase failed to get the Republican nomination for president, perhaps because he changed horses too many times. He finally became a Republican under Lincoln.



Closeup of Salmon Chase vignette engraved by Charles Burt; from 1862 \$1 Legal Tender Note.

He was re-elected as Republican senator but this only lasted for two days because Lincoln wanted him as secretary of the treasury. Here he was the genius behind the successful transition from specie to his National Banking system— a clever quasi-pyramid scheme. He arranged all the financial details and marketed them to Congress and to the public. The scheme was immensely successful and lasted until 1935. In retrospect, the only real detail he missed was to make money elastic; i.e. to create a system that could independently expand or contract the money supply according to circumstances. It was because of this that the National Banking System was ultimately abandoned. Chase was also instrumental in getting the words 'In God We Trust' placed on currency.

He wanted to be president in 1864 and tried to upstage Lincoln by threatening resignation. However, the fourth time he did this, Lincoln accepted and appointed him as Justice to the United States Supreme Court. Chase remained in this position until he died in 1873. In 1868, he unsuccessfully ran for nomination as president as a Democrat. He again tried in 1872 as a Liberal Republican (yet another party he invented). A master of law, politics, and economics, he probably contributed more to this country than many presidents. Chase National Bank in New York City, which later became the Chase Manhattan Bank, was named in his honor.



Notice above the counter on the face that had the 1, 2 and 3, clearly showing that the U.S. government was thinking of a three-dollar denomination- one that was very common in circulating state bank notes at the time. ABNCo had designs for a \$3 note but it was never printed. Notice also in the enlargement that follows that there is a patent statement about the green machined under-print, which is itself green 'PATENTED 30 JUNE 1857.' There is a second type of the green under-print with the patent statement in black dated 23 April 1860. Green ink was still felt to protect against photographic counterfeiting. This was a real worry in the early days of photography- a medium that amazed people as much as color photocopying did ten years ago. The counter was also a way of preventing forgers from 'raising' notes. Raising meant altering the counter to a higher denomination- a not uncommon practice in the state banking era. If there were enough counters woven into the note, it became impractical to 'raise' notes.

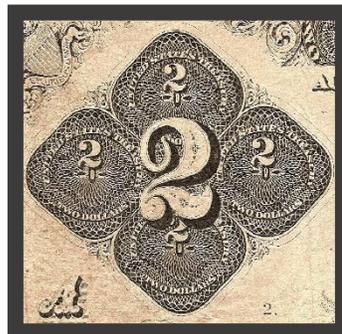
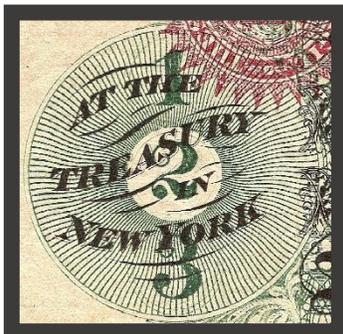


Enlargement of the patent statement above the green underprint.



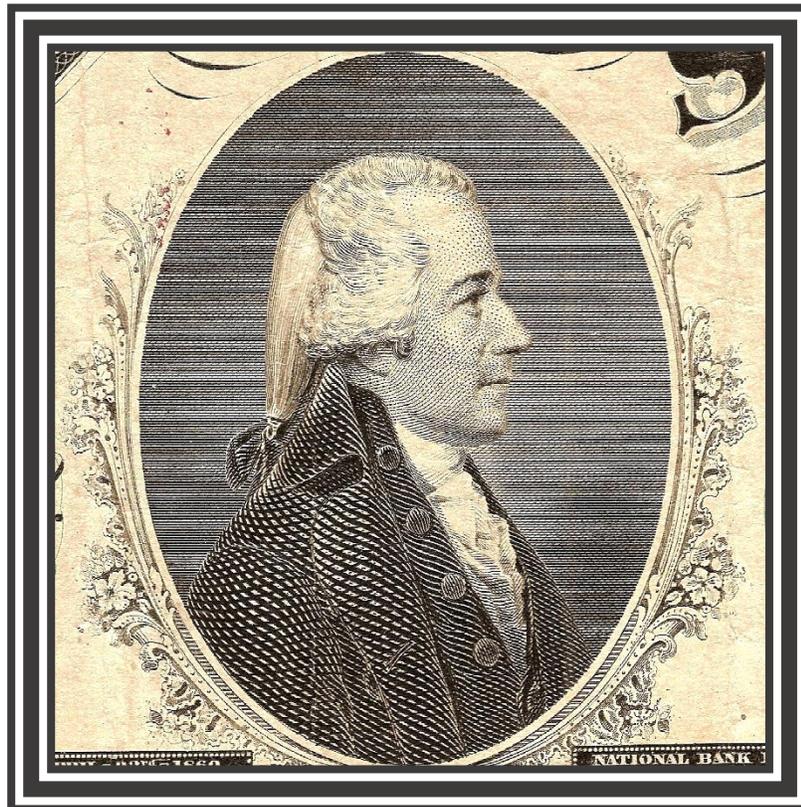
JT 4 Hamilton second issue \$2 Legal Tender 1862, Fr 41, VF 20, Accession # 1389.

Three hundred sixty-five are known for this variety. In 2012, 490 are predicted with 633 for the type. Values are \$775 in F, \$1,250 in VF and \$2,500 in EF. *Track and Price* list 550 examples of Fr 41 in 2009. Fr 41a preceded Fr 41. There is a small red spiked seal and it is signed by Chittenden and Spinner. The face depicts Alexander Hamilton. Luigi Delnoce and Joseph Ourdan engraved the portrait of Hamilton. Notice the three different counters, particularly the 1, 2, 3 counter on the face of the note. The green over-print was a deterrent to photographic counterfeiters like modern day micro-printing is a deterrent to color photocopyers.





Enlargement of green over-print on face of Hamilton \$2 Legal Tender Note.



Closeup of Alexander Hamilton engraved by Luigi Delnoce from \$2 Legal Tender Note series of 1862.

Alexander Hamilton was born 1755 (some say 1757) in Nevis, British West Indies. Because he was born out of wedlock, the Church of England would not educate him, so he was privately tutored and had classes in a private Jewish School. In 1765 his Scottish father, James, abandoned Alexander and his mother Rachel. Rachel was of Huguenot descent and died three years later of a fever. Alex was orphaned probably at the age of 13 and became a clerk at Beekman and Cruger- a local import/ export company trading with New England. In 1771, at the age of 16, he was left in charge of the company for five months. He was then adopted by Thomas Stevens who, some say, was possibly Alexander's biological father.

The locals, sensing his promise, collected money to send Alexander to New England for education and in 1772 he went to Elizabethtown, New Jersey. By 18, he was studying at King's College, New York (now Columbia), where he published extensively on politics and supported the American Revolution. After Lexington in 1775, at the age of 20, he joined a volunteer militia and studied military history and tactics. He became a lieutenant and led a successful raid against the British in New York City's Battery. By 1776, he became a captain because he raised a company of 60 men. At age 22 in 1777, he was invited to be aide to General Washington as a lieutenant colonel, where he was involved with intelligence, diplomacy, and army orders for four years. Washington trusted him deeply. In reading his letters some say Alexander may have had a homosexual relationship with the Marquis de Lafayette. But literary styles in letters may have been an eighteenth-century convention and thus not necessarily representative of homosexuality. Some falsely accused Washington of being his biological father, as Washington had visited the West Indies with his brother around the time of Hamilton's birth. They felt that Washington favored Hamilton too much.

In 1780, Hamilton married Elizabeth Schuyler, daughter of wealthy New York General Schuyler. He grew very close to her sister Angelica, who had married a British MP, and may have had an affair with her. He was desperate for a field command, so he resigned as Washington's aide and was given command of a New York infantry battalion. He bravely and successfully commanded three battalions at Yorktown, finally resigning his commission in 1782.

In 1782, he was elected as a New York representative to the Continental Congress. But the next year, disgruntled officers wanting back pay marched to Philadelphia; where the Continental Congress had no presence. Hamilton was frustrated with the central government's weakness and resigned to practice law in New York City. In 1784, he founded the Bank of New York and restored King's College as Columbia University after the British had suspended it. Although he became president of the New York Manumission Society, he may have been ambivalent about slavery.

In 1787, Hamilton attended the Constitutional Convention. But the other two delegates, chosen by New York Governor Clinton, were opposed to strong national government and both resigned, leaving Hamilton impotent because two delegates were needed to ratify any vote. At the end of the Constitutional Convention in 1788, he recruited John Jay and James Madison to lobby. The three of them wrote the *Federalist Papers*.

In 1789, Washington appointed Hamilton as secretary of the Treasury, an office he retained for six years. Hamilton felt that his office was like the British Chancellor of the Exchequer; i.e. second in charge to the president. In his first year, he submitted five reports: the first and second report on public credit (a reworking of Robert Morris' *On Public Credit*, presented to Continental Congress in 1781), an act for import duties, the establishment of the mint (seminal for numismatists) and a report on manufactures.

In his report on public credit, Hamilton proposed that the federal government take over revolutionary-era state debts, thus increasing federal power. Secretary of State Jefferson opposed this because Virginia had already paid half of its debts, whereas other states had not. Jefferson's supporters became the Democratic-Republican Party. Madison opposed Jefferson because the decrease in interest payments and postponement of payments meant speculative profits. Madison's supporters were called the Federalists. The Jeffersonian Democratic-Republican Party and Hamilton's Federalist Party each had their own partisan newspapers.

At the 1787 Constitutional Convention, Article I authorized a ten mile square federal capital. The northern business interests wanted it near Philadelphia or New York. The southern agriculturalists wanted it in Virginia. Hamilton struck a deal in which the federal capital would be on the border between Maryland and Virginia, in return for which Jefferson accepted the federal plan for taking over states' debts.