

**UNITED STATES NOTES, A  
HISTORY OF THE VARIOUS  
ISSUES OF PAPER MONEY BY THE  
GOVERNMENT OF THE UNITED  
STATES**

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United States notes, a history of the various issues of paper money by the government of the United States by John Jay Knox

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# UNITED STATES NOTES

*A HISTORY OF THE VARIOUS ISSUES OF  
PAPER MONEY BY THE GOVERNMENT  
OF THE UNITED STATES*

BY

JOHN JAY KNOX

LATE COMPTROLLER OF THE CURRENCY

WITH AN APPENDIX CONTAINING THE RECENT DECISION OF THE  
SUPREME COURT OF THE UNITED STATES AND THE  
DISSENTING OPINION UPON THE LEGAL  
TENDER QUESTION

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## PREFACE.

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IN the course of his official career the author has had occasion to deal with subjects kindred to those presented in this volume. From time to time, he has collected material with the hope of publishing at some future day a volume worthy of the title of "History of Banking in the United States." The results of these investigations have appeared from time to time, in official reports, occasional addresses, and in articles contributed to various encyclopædias. The present volume is published in accordance with the request of many friends, who believe that at the present time a small volume containing a history of all the various issues of paper money by the Government will be useful and interesting to the public.

The recent decision of the United States Supreme Court has virtually placed it in the power of Congress to issue United States legal tender notes in any amount, at any time it may be deemed politic or advisable. A

connected history of the paper money issued by the Government will enable the reader to trace the gradual rise and development of a doctrine which has at length been endorsed by so much weight of authority.

At the date of the adoption of the Constitution, the issue of paper money in any form was popularly regarded with aversion. The experience of the colonists with bills of credit, as paper money was then called, had been fraught with loss and political disturbance, and the experience with the like issues by the Continental Congress had so affected the minds of the wisest and best men of that time, that in the Federal Convention the general feeling was one of almost bitter opposition to granting the power to emit bills of credit to the new Government. No one can examine the records of those days without being thoroughly impressed that the sense of the Convention was in favor of an absolute prohibition. Further proof may be found in the fact that from 1791 to 1812, a period of twenty-one years, the method of raising funds for the Government by the issue of bills of credit was not even suggested; nor indeed were circulating notes, in form payable on demand without interest, issued at all, until more than seventy years after the adoption of the Constitution.

The charter of the first Bank of the United States expired in 1811, and the Federalists were not strong enough to secure a recharter. When the war of 1812



broke out, the necessity of funds was so imperative, that the Administration and Congress felt themselves forced, the one to recommend, and the other to authorize, the issue of interest-bearing Treasury notes. They were regarded as a measure of necessity. Loans in the ordinary form had failed, and these notes were regarded as a convenient form of loan. They were not intended to circulate as money; they were fundable into public stock, and, as a matter of fact, were retired as soon as possible after the close of the war. These issues were, however, a fatal precedent out of which has grown a latitude of constitutional construction not then anticipated.

From 1815 to 1837, a period of twenty-two years, there was no resort to this remedy for the relief of the Government finances. In 1836, the charter of the second Bank of the United States expired, and again party spirit prevented a recharter. Soon after came the financial disasters of 1837, and again the Administration recommended, and Congress authorized, the issue of interest-bearing Treasury notes as forms of short loans. These issues extended from 1837 to 1844, and during that period the views of many, as to the constitutionality of their use, considerably expanded. The discussions in Congress, and the executive documents of that day, show how severe was the struggle between the strict constructionists and those who

were in favor of a view of the Constitution giving wider powers to Congress.

During the Mexican war, 1846-1847, the plea of necessity secured congressional authority for another issue of interest-bearing Treasury notes. The financial panic of 1857 again caused Congress to consider such notes as the only remedy for the existing distress.

It remained for the Civil war, however, to bring such pressure that all remaining constitutional scruples were swept away. Until 1862 no notes had been issued with the legal-tender quality. All propositions to make Government paper a legal tender had been rejected almost with contempt by Congress. In 1862, however, the first Legal-tender Act was passed, and for the first time, notes having the quality of legal tender, and intended to circulate as money, were issued by the United States Treasury. These notes were at first fundable in United States bonds, and had not this provision been afterward repealed by Congress, they would, like previous issues of Treasury notes, have soon disappeared from circulation. By this repeal they were made a permanent circulation. Then came the decision of the United States Supreme Court, reversing a former decision and making them a legal tender for all debts—for those contracted before the passage of the Legal-tender Act as well as for those contracted after that date. This decision, however,

based the constitutionality of legal-tender notes upon the war powers of Congress. This still left open the question whether such notes issued in time of peace were constitutional, and the Supreme Court has now settled that, under the Constitution, Congress has power, if it deems it expedient, to issue legal-tender money to any amount, either in time of peace or war.

The chapter upon the distribution of the surplus money of the United States is, it is believed, the first complete history of that subject. It serves to illustrate the subject of United States notes. The crisis of 1837, which at that time was deemed sufficient cause for the issue of the latter, can be readily traced to the withdrawal of the surplus from the banks to distribute it among the States.

The late decision of the Supreme Court on the legal-tender question, and the dissenting opinion, on account of their importance, are given in an Appendix.

A considerable portion of the material in the present volume was contained in the third volume of the "Cyclopædia of Political Science and Political Economy," recently published by M. B. Cary & Co., of Chicago; and by their courtesy, and with their consent, it is given to the public in this convenient form.

In addition to the authorities quoted, the following have been consulted: American State Papers; Annals of Congress; Madison Papers; Elliot's Debates; Con-