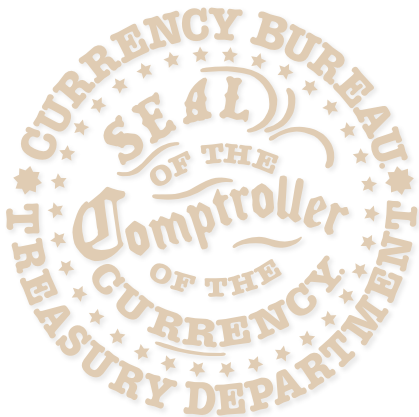


1863 and Prior

Creating a National Currency



More than 7,000 state banknotes circulated throughout the states and territories issued by banks, railroads, and mining companies before the advent of the OCC.

Using paper money in the United States before 1863 was a complicated and costly endeavor: A state-issued banknote worth \$5 in New York City did not have the same value across the Hudson in Newark, New Jersey, and converting that piece of paper to be used in New Jersey often involved a fee.

That is because paper currency was issued by individual banks, and the rules they followed varied from state to state. Some states owned and operated banks themselves, and others adopted "free banking," granting charters to all applicants that met established conditions.

As a result, thousands of banks issued thousands of paper notes in various denominations. In theory, holders of a bank's notes could return them to the bank and receive face value in gold or silver. However, banks tended to issue more notes than they had gold or silver available—especially where state supervision and oversight were weak. And that led to bank runs and failures, and fistfuls of worthless paper for bank customers, as described below in the (Philadelphia) *Public Ledger* about a bank collapse in the early 19th century.

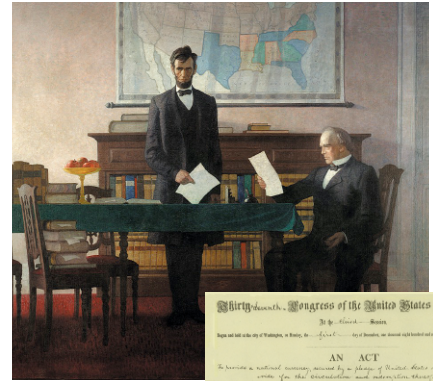
Hundreds of poor laborers were running in every direction with their hands full of the trash [cash] and not able to induce a broker to give six-pence to a dollar for them. We passed in the market a woman who makes her living by selling eggs, butter, and vegetables, who had almost all she was worth, about \$17, in the bank's notes. When apprised that it was worthless, she sank down in agony upon her stool and wept like a child. This is but one of a hundred similar cases.

To complicate matters, counterfeit notes were rampant—so much so that entire periodicals were published to help businesses identify fake currency and to determine the discount rate for notes from distant banks.

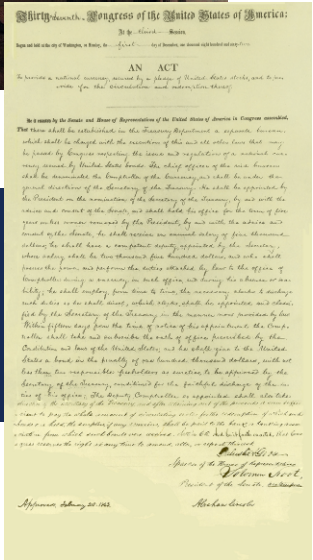
Ending the chaos, President Abraham Lincoln said, "is peculiarly the duty of the national government to secure to the people a sound circulating medium . . . furnish[ing] to the people a currency as safe as their own government." Lincoln and Treasury Secretary Salmon P. Chase then created legislation to establish a national banking system and an Office of the Comptroller of the Currency to supervise it. Congress agreed and passed the National Currency Act in 1863.

Although the act was promoted partly as a wartime measure because the new national banks were required to buy government bonds as security for the banknotes they issued, Lincoln left no doubt that his primary intention was to create a system that would serve the country long into the future. He explained this goal in his 1864 State of the Union speech:

“The national system will create a reliable and permanent influence in support of the national credit, and protect the people against losses in the use of paper money.”



President Abraham Lincoln and Treasury Secretary Salmon P. Chase working on the national banking legislation. In 1930, N.C. Wyeth painted this mural in the lobby of what was then the Federal Reserve Bank of Boston. The former bank building is now the Langham hotel.



The National Currency Act of 1863 created the national banking system and the Office of the Comptroller of the Currency.

Managing the Nation's Currency

The OCC's Role in Establishing Trust in Banking

Between 1863 and 1913, the Office of the Comptroller of the Currency (OCC) was responsible for managing the nation's currency. Working with the Bureau of Engraving and Printing, the Comptroller's staff was responsible for the full life cycle of banknotes, from design to destruction.



To learn more about our history, visit occ.gov/history

History of the Original OCC Seal

The National Currency Act called for the creation of an OCC "seal, with suitable inscriptions." It was to be used for "every certificate, assignment, and conveyance executed by the comptroller."

Designing that seal, which is pictured above, involved more than just cooking up something imposing and attractive. It had to be counterfeit-proof to protect the agency's integrity. Comptroller Hugh McCulloch himself got involved in the work, which included inserting curving lines, the A in "seal" appearing blown by a wind, and a very complicated-looking C in "Comptroller."

The OCC seal appeared for some time on most national banknotes, next to the U.S. Department of the Treasury seal.

1865

The first \$100 and \$500 national banknotes feature John Trumbull's paintings *Declaration of Independence* and *Surrender of General Burgoyne*. Both paintings now hang in the U.S. Capitol Rotunda.



Declaration of Independence
John Trumbull
1826

Back of a \$100 banknote
introduced in 1865



Back of a \$500 banknote
introduced in 1865



Surrender of
General Burgoyne
John Trumbull
1826

One reason for using paintings on national banknotes was "to teach the masses about the prominent periods in our country's history," according to an internal U.S. Department of the Treasury letter. "The laboring man, who should receive every Saturday night a copy of the *Surrender of Burgoyne* for his weekly wages would soon wonder who Burgoyne was and to whom he surrendered."

That same year, Pocahontas became the first nonmythical woman to appear on a U.S. banknote. An engraving of John Chapman's *Baptism of Pocahontas* appeared on the back of a \$20 bill (and was used again in 1875). The painting also hangs in the rotunda.



Baptism of
Pocahontas
John Chapman
1840

Back of a \$20 banknote
introduced in 1865



In addition, using such intricate art made counterfeiting engraved designs almost impossible. Modern banknotes are almost always engraved, as are plates for printing money, checks, bonds, and other security-sensitive papers.

The most skilled engravers in their respective specialties have been employed by the Bureau of Engraving and Printing from its very beginning. The specimens of portraits, vignettes, and lettering exhibited by this bureau were awarded the highest premiums.

1869

President George Washington first appeared on the \$1 note. The image is based on a portrait painted by Gilbert Stuart. The artist said, "When I painted him, he had just had a set of false teeth inserted, which accounts for the constrained expression so noticeable about the mouth and lower part of the face."



George Washington
Gilbert Stuart
1796

Photograph courtesy of
the Museum of Fine Arts, Boston, 2023



George Washington on a
\$1 legal tender note introduced in 1869

1877

Congress designated the Bureau of Engraving and Printing as the sole producer of federal currency.



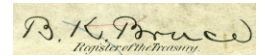
Aerial photo of the Bureau of
Engraving and Printing from 1918

1881

Former U.S. Sen. Blanche Kelso Bruce (R-Miss.) became the first African American to have his signature printed on all U.S. currency as Register of the Treasury.



Hon. Blanche Kelso Bruce of Mississippi
Matthew B. Brady
between 1865 and 1880



Former U.S. Sen. Blanche Kelso Bruce's
engraved signature on a banknote after he
became Register of the Treasury in 1881

1886

Martha Washington became the second woman (after Pocahontas) to appear on U.S. currency, on a \$1 silver certificate.

Her image was based on a painting by Gilbert Stuart, a companion to his portrait of her husband that appeared on the \$1 bill.



Martha Washington (Martha Dandridge Custis)
Gilbert Stuart
1796

Photograph courtesy of
the Museum of Fine Arts, Boston, 2023



Martha Washington on a
\$1 banknote introduced in 1886

1896

Martha Washington appeared again on a silver certificate. This certificate was what collectors call an educational note, because it depicts a specific aspect of U.S. history.

The back of the certificate includes a personification of history pointing to the Potomac River and Washington, D.C. The Washington Monument and the Capitol are in the background. The Constitution is on the right. Circling the motif are the last names of famous Americans, including Martha's husband, George, and Samuel Morse.



Front of a \$1 silver certificate
series of 1896



Back of a \$1 silver certificate
series of 1896

1913

President Woodrow Wilson signed the Federal Reserve Act, which established the nation's central bank to monitor and control the volume of money and provide liquidity in times of financial stress.

The Federal Reserve would oversee a new, more flexible currency that could grow with the needs of the economy and take the place of national banknotes in the money supply.



Wilson Signs the Federal Reserve Act
Wilburg G. Kurtz
1923

As a result, the OCC began gradually turning over the job of creating and managing U.S. currency to the Federal Reserve System and sharpened its focus on maintaining the safety and soundness of the national banking system.

Some of the images included in our historical displays were considered to be educational and progressive a century ago. We recognize, however, that their use may be considered provocative today. We hope that knowledge of our history prompts reflection, discussion, and a commitment to promoting equality and trust in the federal banking system going forward.

Life of a Banknote

1.

Engraving and Printing



The American Bank Note Company and other private contractors initially designed, engraved, and printed banknotes. In 1877, Congress mandated that the Bureau of Engraving and Printing within the U.S. Department of the Treasury take over those duties.

By meticulously cutting extremely fine dots, dashes, and curved lines of varying depths and widths into a piece of soft steel, known as a master die, the engraver produced a very lifelike and three-dimensional image on a two-dimensional surface.

The art of engraving not only brought a unique beauty to the bureau's printed products; it also served a more pragmatic function as an anti-counterfeiting measure.

(From top)
Employee numbering national banknotes with rotary numbering press.
Staff printing, sealing, and printing charter number and geographical data on banknotes.
Engraver engraving a plate.



(From top)
Quality control inspectors work through silver certificates before serial numbering.
Counters verifying the counts of national banknote sheets.
Staff inspecting and counting banknotes.
Staff removing national banknote sheets interleaved between heavier stock after the ink from the face printings had set.



3.

Storing Cash Safely

The Comptroller's office required a vault large enough to store sheets of paper for thousands of active banks and provide working space for several clerks.

Early on, the vault's contents were organized geographically by region and town name. Later, materials stored in the vault were organized by bank charter number.

The large volume of currency shipments each day required OCC staff to follow a rigorous protocol for methodically going through the vault on a rotating basis to pull the needed sheets.

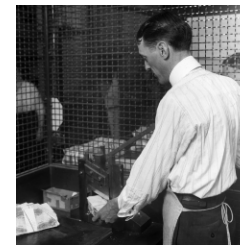
(From top)
Employee packing trimmed banknotes.
Steel door to vault containing paper for banknotes and U.S. bonds weighed 12 tons.
National banknotes ready for circulation were stored in Vault No. 10. Some \$250 million were packed in when this photo was taken.

2.

Preparing Banknotes to Be Issued

In 1868, the OCC's Headquarters staff consisted of 72 clerks, a third of them women. Working under tight security, the clerks cut, registered, bundled, and shipped currency to the issuing bank; once the bank received the cash, each note had to be signed by hand.

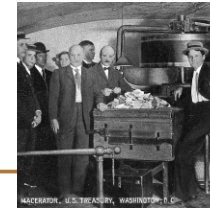
By the 1900s, OCC clerks processed, inspected, and counted about 800,000 notes—worth about \$4 million—each day.



(From top)
Committee checking daily destruction of national banknotes.
Staff uses machine to cut banknotes in half.
Employee cuts off lower corners of banknotes.

5.

Recycling Banknotes



Canceled banknotes passed through the macerator, a huge steel receptacle that ground them into a liquid pulp, which was rolled out into sheets of bookbinders' board and sold for \$40 a ton.

The largest value of banknotes ever deposited in the macerator in one day was \$151 million, destroyed on June 27, 1894; it consisted of national banknotes and U.S. bonds.

4.

Preparing for Destruction

In the Redemption Division of the OCC, old currency was received and exchanged for new currency.

The agency provided banks with a new dollar for every old dollar submitted. Expert counters worked to prevent error and loss.

The staff went to great lengths to protect the old notes from being stolen; they punctured four holes into some, cut off the corners of others, and ultimately cut them in half.

Spotlight



Louise Lester

Louise Lester, a member of the Treasury Department's Destruction Committee during 1912, was in charge of destroying worn-out cash. She was the first woman to serve in this role.

Executive Order.

Miss Louise Lester may be appointed a clerk in the classified executive civil service without compliance with the civil service rules.

This order is issued for the reason that it is recommended by the Secretary of the Treasury so that Miss Lester may be appointed a special witness of the destruction of United States securities in the Treasury Department, it being the Secretary's judgment that Miss Lester possesses special qualifications which will render her particularly desirable as a member of the Destruction Committee.

WM H TAFT

THE WHITE HOUSE,
May 10, 1912.

[No. 1530.]



Members of the Destruction Committee in the Treasury Department during 1912

THE WASHINGTON HERALD
WASHINGTON, D. C. MONDAY, MAY 13, 1912.

WOMAN TO WATCH MILLIONS 'KILLED'

Miss Louise Lester Named to Serve on Unique Committee of the Treasury Department.

DESTRUCTION IN A YEAR AMOUNTS TO \$1,200,000,000

Resident of Prince George County, Md., First Woman Ever Appointed to Such Position.

The Washington Herald May 13, 1912

Anatomy of a Banknote

The designers of the national currency had several goals: attracting converts to, and building confidence in, the new banking system and money supply; promoting patriotism

and civic awareness; preventing counterfeiting; stimulating the sale of U.S. government bonds; and striking a balance between local autonomy and federal authority.

A \$10 note issued by the National Bank of Commerce in St. Louis, 1899.

National banks were required to purchase U.S. bonds or other investment-grade securities in an amount equal to 90 percent of the face value of a bank's notes.

These securities were placed on deposit with the OCC.

If a national bank could not meet its redemption requirements, the OCC could sell the bonds and distribute the proceeds to noteholders.

To make banknotes legally binding instruments, the National Bank Act required that each one issued by a national bank be signed by its officers.

National banks were attracted by the prestige of having their name (and charter number) inscribed on the notes they issued.

National banks were required to hold reserves of precious metal, to be paid "on demand" when notes were presented to them.

To promote historical awareness and patriotism, national currency depicted iconic scenes from the nation's past.

Here, the Pilgrims land at Plymouth Rock.

To foil counterfeiters, national banknotes were intentionally detailed and ornate.

In addition, several denominations of national currency contained lengthy extracts from the law that assigned penalties for counterfeiting.



A \$1 note issued by the Marine National Bank of New York, 1865.

The essence of the national banking system was that locally owned and managed institutions would operate under federal authority and supervision.

This note from a New York national bank, showing the state seal on one side and the American bald eagle on the other, communicated that concept.