

## AMERICAN PAPER MONEY.

### CONTROLLER KNOX'S HISTORY OF THE UNITED STATES NOTES.

WASHINGTON, April 6.—Controller Knox has recently completed a historical paper on the subject of "United States Notes," which will soon be given to the public. The following is a brief abstract of its features: The first chapter of the article is upon the subject of "Colonial Paper Money," the second upon "The Issue of Continental Paper Money," and the third, "Bills of Credit on the Federal Convention." The debate in the Federal Convention in reference to "Emitting bills of credit," is given in full, and is important for the reason that the subject of authorizing bills of credit issued by the Government to be a legal tender was then, for the first time, discussed. The proposition, though twice presented in Congress, was not subsequently considered until the legal-tender act of 1862 was introduced and discussed in the House of Representatives. The original clause in the Constitution on this subject provided that "the Legislature of the United States shall have power to borrow money and emit bills on the credit of the United States." On the motion for striking out the words, "and emit bills," nine States voted in the affirmative, and two States in the negative, namely, New-Jersey and Maryland.

The periods of the issue of United States notes were five. First, the war of 1812; second, the financial crisis of 1837; third, the Mexican war; fourth, the crisis of 1857 and during the Buchanan Administration, and fifth, the war of the rebellion. Treasury notes of more than 20 different forms and dates were issued by the Government previous to the civil war, all of which were either receivable for dues payable to the Government or fundable in bonds. For 75 years subsequent to the adoption of the Constitution no Treasury notes were authorized to be issued which were payable on demand in lawful money or which by the terms of law were made a legal tender. Such notes were first authorized by the act of Feb. 25, 1862. There were no Treasury notes of any kind issued from 1779 to 1812, a period of 33 years. In 1811 a loan was authorized by Congress, but it was taken so slowly that the Secretary of the Treasury for the first time in the history of the Government recommended the issue of Treasury notes. The amount authorized to be issued by the law which was passed was not to exceed the amount unsubscribed to the loan, namely, \$4,900,000. This first issue of notes bore interest at 5 2-5 per cent. a year, or 1 1/4 cents per day on a hundred-dollar-note, and this probably suggested the issue of the seven-thirty notes during the late civil war.

The notes were payable one year after date and were receivable in payment of all debts due to the United States. The first issue was in 1812 and there were other issues during the three subsequent years. The total amount issued was in all \$36,680,000, and they were all of large denomination with the exception of less than \$3,500,000, which were of denominations as low as \$5 and read as follows:

"The United States promise to receive this note for \$5 in all payments to them or to fund the amount at 7 per cent. interest on request, agreeable to the act of Congress of Feb. 24, 1815."

These were the only notes issued from the adoption of the Constitution to the passage of the legal-tender act of 1862 which could be denominated bills of credit, and these notes were not payable on demand, but only receivable for dues to the Government. The notes of larger denominations (fifties and one hundreds) were of the same form except that they were drawn to order with interest and fundable into 6 per cent. bonds. From 1837 to 1844 Treasury notes amounting to \$47,000,000 were issued under eight different acts. The lowest denomination of any one note was \$50, but where new notes were issued in place of old ones the accrued interest was added. These notes, like those issued during the war of 1812, were payable to order, and usually bore interest at the rate of 5 per cent.

During the Administration of President Tyler, John C. Spencer, who was for a time Secretary of the Treasury, issued under the act of March 3, 1843, about \$850,000 of Treasury notes. Each note on its face promised to pay one year from date \$50, with interest at the rate of 1 mill per \$100 per annum. On the back of each note engraved lengthwise were the words: "This note will be purchased at par for the amount of principal and interest thereof on presentation at either of the depositories of the Treasury in the city of New-York." The notes, which were issued at the nominal rate of one-thousandth of 1 per cent. per annum, and by the indorsement made payable on demand, were considered by Congress an evasion of the act under which they were issued, and the Committee on Ways and Means was instructed to inquire and report "whether the notes lately issued by the Treasury Department bearing a nominal interest and convertible into coin on demand, and now forming part of the circulating medium of the country, are authorized by the existing laws and Constitution of the United States." The report of the committee, which also embraces a letter of the Secretary giving his views on the subject, is interesting from the fact that it contains the principal constitutional arguments against the issue of paper money by the Government. It was contended by the committee that the Constitution authorized the Government to borrow money, but not to issue bills of credit; that borrowing money implied the paying of interest for the money borrowed; that interest-bearing Treasury notes, payable at a future day, were a temporary loan not designed to circulate as money, and could properly be issued, while notes bearing no interest, and payable on demand, were bills of credit, and could be issued only in violation of the Constitution, and this was the ground usually taken in Congress in all discussions in reference to the issue of Treasury notes.

A full account is also given of the Treasury notes issued during the Buchanan Administration, the difficulty attending their negotiation, and the proposition of Gen. Dix that the States should return to the Government the surplus moneys distributed to them in the year 1837, or at least should be called upon to guarantee the issues of the Government. The difficulties of placing in circulation the first demand notes issued by the Government, owing to the reluctance with which railroad corporations and individuals received them, are referred to, and also the negotiations with banks in New-York, Philadelphia, and Boston for the placing of the first \$50,000,000 of the 7-30 notes and the two subsequent installments of the same amount. The subsequent issue of compound interest postal currency, legal-tender notes, and silver certificates is fully discussed.