

BEP HISTORY FACT SHEET



Last Updated April 2013

UNITED STATES NOTES

United States Notes, also known as Legal Tender Notes and Greenbacks, were the first widely circulated U.S. paper currency. Authorized as legal tender by the act of February 25, 1862, and initially placed into circulation in 1862, they were payable for all public and private debts. United States Notes were a mainstay of the nation's currency system well into the twentieth century when the last delivery of the notes by the Bureau of Engraving and Printing (BEP) was made in 1971. Outstanding United States Notes, which were issued in denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, and \$1,000, are redeemable at face value by the Department of the Treasury.

HISTORY

United States Notes were originally intended to be a temporary, emergency financing measure for the cash-strapped Treasury. Almost bankrupt, the U.S. Treasury needed money to pay suppliers and troops, and it needed the money fast. The plan was to print a limited supply of United States Notes to meet the crisis and then have people convert the currency into Treasury bonds. However, United States Notes became popular and continued to circulate, becoming known as Greenbacks. Though Demand Notes were technically the first Greenbacks, the nickname stuck to United States Notes because they were much better known.

United States Notes were also called Legal Tender Notes because of the text originally appearing on the back of the note that begins, "This note is legal tender for all debts, public and private." This provision made the currency a valid and legal form of payment on par with gold and silver. This was a very controversial action at the time as it made the United States Note a fiat currency, meaning its value was established by law alone and was not based on some other unit of value such as gold, silver, land, etc. Many people during and after the Civil War believed the creation of a fiat currency to be unconstitutional as the Constitution considered only gold and silver legal tender. The matter was settled in 1871 in the Supreme Court case of *Knox v. Lee* wherein the court declared that making United States Notes legal tender was constitutional.

By this time, the United States Note or Greenback was at the center of a nationwide debate on monetary policy. When the post-Civil War economic boom ended in the panic and depression of 1873, many, especially farmers, put the blame on the Treasury's policy of contracting the currency, e.g., removing United States Notes from circulation in an attempt to go back onto the gold standard wherein a \$1 note could be redeemed for \$1 in gold. As a consequence, there was a call for the expansion of United States Note circulation or an inflation of the currency. This belief became joined with a political ideology that opposed big business and banking interests, resulting in the birth of the Greenback party.

Additional Sources

Wesley Clair Mitchell, "A History of the Greenbacks," 1903.

Irwin Unger, *The Greenback Era*, 1965.

www.moneyfactory.gov
www.treasury.gov

United States Notes Production Totals

Denomination	Total Production
\$1	\$1,230,494,960
\$2	\$1,827,182,128
\$5	\$8,998,950,000
\$10	\$2,181,370,000
\$20	\$651,320,000
\$50	\$161,215,200
\$100	\$324,400,000
\$500	\$251,980,000
\$1,000	\$462,328,000
\$5,000	\$20,000,000
\$10,000	\$40,000,000

Opposing the Greenbackers were more conservative interests, sometimes known as Goldbugs, who found support in the Republican Party and in elements of the Democratic Party. Gold interests proved the stronger contestant in the debate and in 1878, the total circulation of United States Notes was fixed at a little over \$346 million and the notes became redeemable in gold (at least until 1933 when this provision was removed).

During the twentieth century, United States Notes became ever less important in the nation's money supply, though Congress still supported their continued circulation. In 1966, the Treasury began to remove the notes from circulation. At that time, the denominations were reduced to only the \$100 note. And, few of these notes circulated beyond the confines of the Treasury. The last delivery of the notes by the BEP to the Treasury was made in 1971. By this time, United States Notes were not actually circulating in the economy. Finally, in 1994, the Riegle Community Development and Regulatory Improvement Act eliminated the issuance of United States Notes.

SELECT SERIES

Old Series

The act of February 25, 1862, authorized an issue of \$150 million in denominations of \$5, \$10, \$20, \$50, \$100, \$500, and \$1,000. These notes bore on the reverse what some collectors call the "First Obligation" that reads, "This note is legal tender for all debts, public and private except duties on imports and interest on the public debt, and is exchangeable for U.S. six per cent twenty year bonds, redeemable at the pleasure of the United States after five years."

The act of July 11, 1862, authorized an additional issue of \$150 million. One and two dollar notes were added at this time and were to account for no more than \$35 million of the total issue. It was probably at this time the reverse of the notes was changed to bear the "Second Obligation." "This note is legal tender for all debts public and private, except duties on imports and interest on the public debt, and is receivable in payment for all loans made to the United States."

New Series

This and future series were authorized by the act of March 3, 1863. At the time of passage, it provided for an additional issue of \$150 million in notes.

Series 1878

The \$5,000 and \$10,000 denominations were added.

Series 1928

First small-sized United States Notes.

Series 1966

Consisted of only \$100 notes.