FEDERAL RESERVE DIRECT PURCHASES—OLD SERIES CURRENCY ADJUSTMENT ACT

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

EIGHTY-SIXTH CONGRESS

SECOND SESSION

ON

S. 3702 and S. 3714

BILLS TO EXTEND AUTHORITY OF FEDERAL RESERVE BANKS TO PURCHASE TREASURY OBLIGATIONS AND TO AUTHORIZE ADJUSTMENTS IN ACCOUNTS OF OUTSTANDING OLD SERIES CURRENCY

JUNE 24, 1960

Printed for the use of the Committee on Banking and Currency

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FEDERAL RESERVE DIRECT PURCHASES—OLD SERIES CURRENCY ADJUSTMENT ACT

FRIDAY, JUNE 24, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to call, in room 5302, New Senate Office Building, at 10 a.m., Senator A. Willis Robertson (chairman) presiding.

Present: Senators Robertson and Bush.

The CHAIRMAN. The committee will please come to order.

Gentlemen of the committee, you have received a notice that we have planned to take up several bills at the session this morning. We will have some testimony from representatives of the Treasury Department in open session on S. 3702 and S. 3714, and then we will have an executive session to see which bills can be acted upon, which can be reported.

The first bill we will consider now is S. 3702 relating to the authority of the Treasury to borrow up to $5 billion from the Federal Reserve banks. This will extend for 2 years the authority of the Treasury for the sale of U.S. Government obligations directly to the Federal Reserve banks.

We will insert the bill, S. 3702, letters from the Treasury Department on the legislation, and the views of the Federal Reserve on S. 3702.

(The bill and letters referred to follow:)

[S. 3702, 86th Cong., 2d sess.]

A BILL To amend section 14(b) of the Federal Reserve Act, as amended, to extend for two years the authority of Federal Reserve banks to purchase United States obligations directly from the Treasury

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 14(b) of the Federal Reserve Act, as amended (12 U.S.C. 355) is amended by striking out "July 1, 1960" and inserting in lieu thereof "July 1, 1962" and by striking out "June 30, 1960" and inserting in lieu thereof "June 30, 1962".

UNDER SECRETARY OF THE TREASURY,
Washington, May 16, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Banking and Currency Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: Reference is made to my recent conversation with you concerning the draft of a proposed bill to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury, and the bills which are pending before your committee and the Banking and Currency Committee of the House to authorize adjustments in accounts of outstanding old series currency.

I am enclosing a copy of the Department's letter of this date to the President of the Senate transmitting the proposed bill to extend the direct purchase authority of the Federal Reserve banks. I have also discussed the proposed bill with Chairman Spence of the House committee and he informed me that he will endeavor to bring the bills up for hearing in his committee at the earliest practical date and that he will probably schedule both bills for hearing at the same time. Chairman Spence also said that I could inform you that he saw no objection, if you desire, to having your committee hold hearings on the bills prior to the House committee hearing.

The bill to authorize adjustments in accounts of outstanding old series currency was introduced by you in the Senate as S. 1177. The Office of the Legislative Counsel of the House suggested certain changes in the wording of the bill as proposed by the Treasury and, in consultation with the Treasury, redrafted the bill which Chairman Spence introduced in the House on April 27, 1959, as H.R. 6678. The Treasury has no objection to the form of this bill which accomplishes the same results as the original Treasury draft and I am enclosing a copy in the event you desire to introduce a companion bill in the Senate for consideration by your committee. Through this action it might be possible to avoid conference on the bill in the event the Senate and the House should enact bills containing different language.

As I pointed out in my conversation with you, enactment of the bill to extend the direct purchase authority of the Federal Reserve banks prior to June 30 is essential and enactment of the bill to authorize adjustments in the old currency accounts will make about $100 million of our resources available for current use. This in turn will enable the Treasury to reduce its borrowing by a corresponding amount with a resultant saving of from $4 to $5 million in our annual interest costs.

Sincerely yours,

JULIAN B. BAIRD, *Under Secretary.*

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, May 16, 1960.

The PRESIDENT OF THE SENATE.

SIR: There is transmitted herewith a draft of a proposed bill to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury.

The purpose of the proposed legislation is to extend for another 2 years the authority of the Federal Reserve banks to purchase public debt obligations directly from the Treasury, rather than in the open market, in an amount not to exceed $5 billion outstanding at any one time. The present authority, which has been in existence for a number of years, will expire on June 30, 1960, unless it is further continued by the Congress.

In hearings before the House Banking and Currency Committee on the extension of the direct purchase authority in 1958, there was considerable discussion of the possibility that the authority should be revised to provide specific criteria for its exercise. In its report on the bill, the committee requested the Treasury to study the desirability of putting such criteria in the law and to submit its recommendations to the Congress before requesting any further extension of the authority beyond the 1960 expiration date.

The Treasury has studied carefully the desirability of recommending that specific criteria be included in the statute. There are basically four considerations which constitute, in our opinion, the only proper purposes of the direct purchase authority.

(1) The existence of the direct purchase authority permits the Treasury to operate with significantly lower cash balances than would otherwise be prudent, and still be in a position to meet unanticipated large cash outlays. This attribute of the direct purchase authority does not, as a matter of practice, require its actual use except in rare instances.

(2) Similarly, the existence of the direct purchase authority adds significantly to the Treasury's flexibility in the management of the public debt by permitting more leeway in the timing of new Treasury issues to the public advantage than would otherwise be possible. Again, as in the first use of the authority, the availability of this "line of credit" is sufficient to give the Treasury this required flexibility even though actual use of the purchase authority is rare.

(3) Availability of this authority has on occasion provided a useful device for smoothing out the impact of short-run fluctuations in the Treasury's cash balance,

especially during periods immediately preceding the peak of tax collections. This particular use of the purchase authority, while still of some importance, is less significant than formerly because of the development of other techniques of handling money market movements around tax collection dates.

(4) The direct purchase authority provides an immediate source of funds for temporary financing in the event of a national emergency. The immediate financial impact of such an emergency presumably would be most important with reference to the ability of the Treasury to handle the refunding of maturing debt if the emergency resulted in serious dislocation of financial markets. The need for utilizing the direct purchase authority in this way would appear to be much more urgent than to cover any immediate upsurge in Federal Government spending, although some use of the authority might be necessary in event of a sudden falloff in revenue.

The Treasury Department does not believe, however, that the law containing the direct purchase authority would be strengthened in any way by incorporating the above considerations as part of the statute. We believe that the biennial review afforded the Congress by 2-year extensions of the authority, plus the regular reporting of actual transactions in the weekly statement of condition of Federal Reserve banks as well as in the Daily Treasury Statement, is an effective and adequate guarantee that it will be used properly and that specific criteria in the statute are neither necessary nor desirable.

In summary, therefore, the Treasury considers that the direct purchase authority constitutes a "line of credit" which the Treasury can fall back on both in its day-to-day planning of cash flows and as a stopgap measure to facilitate temporary financing in event of a national emergency. We feel strongly that this authority should not be abused by considering it as a device to permit increased Federal Reserve purchases of U.S. Government securities for purposes of influencing either interest rates or the availability of credit. These functions are properly exercised by the Federal Reserve System in its use of open market operations, the discount rate, and member bank reserve requirements. Direct borrowing by the central government of any country from its central bank, except for temporary or emergency financing, has proved to be a dangerous step down the road toward currency debasement.

There is attached a table which reflects the use of the direct purchase authority from 1942 to the present time. There is also enclosed a comparative print showing the changes the proposed bill would make in existing law.

It is respectfully requested that you lay the proposed bill before the Senate. A similar bill has been transmitted to the Speaker of the House of Representatives.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this proposed legislation to the Congress.

Very truly yours,

JULIAN B. BAIRD,
Acting Secretary of the Treasury.

A BILL To amend section 14(b) of the Federal Reserve Act, as amended, to extend for two years the authority of Federal Reserve banks to purchase United States obligations directly from the Treasury

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 14(b) of the Federal Reserve Act, as amended (12 U.S.C. 355), is amended by striking out "July 1, 1960" and inserting in lieu thereof "July 1, 1962" and by striking out "June 30, 1960" and inserting in lieu thereof "June 30, 1962".

COMPARATIVE TYPE SHOWING CHANGES IN EXISTING LAW MADE BY PROPOSED BILL

Changes in existing law made by the proposed bill are shown as follows (existing law proposed to be omitted is enclosed in brackets; new matter is italicized):

SECTION 14(b) OF THE FEDERAL RESERVE ACT, AS AMENDED 38 STAT. 264; U.S.C. TITLE 12, SEC. 355)

(b) To buy and sell, at home or abroad, bonds and notes of the United States, bonds of the Federal Farm Mortgage Corporation having maturities from date of purchase of not exceeding six months, bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and having maturities from date of purchase of not exceeding six months, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System: *Provided*, That notwithstanding any other provision of this Act, (1) until [July 1, 1960] *July 1, 1962*, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities either in the open market or directly from or to the United States; but all such purchases and sales shall be made in accordance with the provisions of section 12A of this Act and the aggregate amount of such obligations acquired directly from the United States which is held at any one time by the twelve Federal Reserve banks shall not exceed $5,000,000,000; and (2) after [June 30, 1960] *June 30, 1962*, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities but only in the open market. The Board of Governors of the Federal Reserve System shall include in their annual report to Congress detailed information with respect to direct purchases and sales from or to the United States under the provisions of the preceding proviso.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, June 22, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the Board's views on S. 3702, to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of the Federal Reserve banks to purchase U.S. obligations directly from the Treasury. Under existing law, the authority will terminate on June 30, 1960.

The use of this authority by the Federal Reserve enables the Treasury to avoid creating unnecessary financial strains that would otherwise occur if it had to draw heavily on its accounts especially during periods immediately preceding tax payment dates. Temporary Treasury borrowing at such times, followed by prompt repayment from the proceeds of tax payments, provides a smooth operating mechanism, without the abrupt money market fluctuations that would otherwise occur. The authority could also be useful in dealing with situations resulting from a national emergency. Since 1942 when the authority was granted it has been sparingly used, and its use is reported, as required by law, each year in detail in the Board's annual report. The results of its use also appear currently in weekly statements issued by the Federal Reserve and in daily statements issued by the Treasury. The Board, therefore, recommends approval of the bill.

Sincerely yours,

WM. McC. MARTIN, Jr.

The CHAIRMAN. Section 14(b) of the Federal Reserve Act as amended now authorizes such purchases in an amount not to exceed $5 billion outstanding at a time, but this authority expires on June 30, 1960. That is, the only change that S. 3702 will make in the Federal Reserve Act would be to substitute in section 14(b), when appropriate, the date "July 1, 1962" and "June 30, 1962" for the dates as they now appear in the act.

S. 3702 is identical with H.R. 12346, which the House Banking and Currency Committee, by unanimous vote, reported favorably on June 14. H.R. 12346 is supported by both the Treasury Department and the Board of Governors of the Federal Reserve System. Action by the House on H.R. 12346 is expected shortly, perhaps today.

Although the direct purchase authority has been used sparingly, it is my understanding that the Treasury Department views the authority as a highly useful and important device to facilitate its operations.

We are pleased to have with us today the Honorable Julian B. Baird, Under Secretary of the Treasury for Monetary Affairs, who will present the Treasury Department's views on this legislation. Gentlemen of the committee, we are pleased at this time to hear Mr. Baird.

STATEMENT OF JULIAN B. BAIRD, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS

Mr. Baird. Mr. Chairman, members of the committee, I am grateful for the opportunity to appear before you today in support of S. 3702. With your permission, I will read a statement.

This bill would extend until June 30, 1962, the existing authority of the Federal Reserve banks to purchase public debt obligations directly from the Treasury in an amount not to exceed $5 billion outstanding at any one time. The House Banking and Currency Committee has voted unanimously to report favorably an identical bill, H.R. 12346, which is supported by both the Treasury and the Board of Governors of the Federal Reserve System. We hope they are going to act on that in the House today.

From the time the Federal Reserve System was established in 1913 until 1935, the Federal Reserve banks had unlimited authority to purchase Government securities directly from the Treasury or from market holders. In the Banking Act of 1935, however, the authority to make such purchases was limited to open market transactions. The authority of the Federal Reserve banks to purchase Government obligations directly from the Treasury was restored in the Second War Powers Act of 1942, but the amount was restricted to $5 billion outstanding at any one time. Although the initial authority granted by the Act expired at the end of 1944, the Congress has extended it successively before each expiration date. The need for early passage of S. 3702 is indicated by the fact that the current authority expires on June 30, 1960.

The authority provided under section 14(b) of the Federal Reserve Act is a highly useful device for facilitating Government financial operations. We firmly believe, however, that such authority should be limited and, even within such limitations, should be used sparingly. In many other countries, direct access of the Government to the central bank has ultimately led to severe inflation, resulting from excessive reliance on newly created central bank funds to finance Government expenditures and facilitate debt management. The inflationary potential of such borrowing is magnified many times by the fact that such funds are "high powered," in that each dollar borrowed by the Government in this manner will support several dollars in new bank deposits.

The sparing use of the direct purchase authority in recent years is indicated in the attached table. The authority has been used only once since your committee last held hearings on the matter in 1954. This instance was in March 1958, a few days in advance of the period of heavy tax receipts. The $207 million of securities sold at that time directly to the Federal Reserve Bank of New York were outstanding for only 2 days.

At hearings on extension of the direct purchase authority before the House Banking and Currency Committee 2 years ago, it was suggested by certain members of the committee that the authority be revised to include specific criteria for its use. The report of the House Banking and Currency Committee requested the Treasury to study the desirability of including such criteria in the statute and to submit recommendations to the Congress before requesting extension of the authority beyond June 30, 1960.

Our study of the matter indicates that the authority as it exists today would not be strengthened by incorporating specific considerations as part of the law, and H.R. 12346, as reported by the House Banking and Currency Committee, makes no provision for such considerations. When transactions under the authority take place, they are promptly reported in the weekly Federal Reserve statement and the daily Treasury statement. Moreover, proper use of the authority is assured by the biennial congressional review with respect to renewal of the authority, at which time the Treasury testifies as to its use and purpose. The Treasury's analysis in this respect was transmitted by the Secretary of the Treasury to the Speaker of the House of Representatives and the President of the Senate on May 16, 1960.

As discussed in our May 16 letter, the Treasury feels that there are basically four considerations which constitute the only proper purposes of the direct purchase authority.

(1) The existence of the direct purchase authority permits the Treasury to operate with significantly lower cash balances than would otherwise be prudent, and still be in a position to meet cash needs in case of large unanticipated outlays or delays in receipts. This attribute of the direct purchase authority does not, as a matter of practice, require its actual use except in rare instances.

(2) Similarly, the existence of the direct purchase authority adds significantly to the Treasury's flexibility in the management of the public debt by permitting more leeway in the timing of new Treasury issues to the public advantage than would otherwise be possible. Again, as in the first use of the authority, its availability is sufficient to give the Treasury this required flexibility even though actual use of the purchase authority is rare.

(3) Availability of this authority has on occasion provided a useful device for smoothing out the impact on the money market and the banking system of large short-run fluctuations in the Treasury's cash balance, especially during periods immediately preceding the peak of tax collections. While this particular use of the purchase authority is less significant than during the war and early postwar periods, it continues to be desirable to have the authority available for use in situations where the technique would be especially appropriate.

(4) Perhaps most importantly, the direct purchase authority provides an immediate source of funds for temporary financing in the event of a national emergency. The immediate financial impact of such an emergency presumably would be most important with reference to the ability of the Treasury to handle the refunding of maturing debt if the emergency resulted in serious dislocation of financial markets. The need for utilizing the direct purchase authority in this way would appear to be much more urgent than to cover increased Federal Government spending (even though appropriations are increased immediately), although some use of the authority might be necessary in event of a sudden decline in revenue.

The Treasury therefore considers that the direct purchase authority is properly interpreted only as a line of credit which the Treasury can rely upon both in its day-to-day planning of rapidly fluctuating case flows and as a useful source of temporary financing in event of a national emergency. The Treasury is strongly of the opinion that the direct purchase authority should not be abused by considering it as a device to permit increased Federal Reserve purchases of U.S. Government securities for purposes of influencing the level of interest rates or affecting the overall availability of credit. These functions are properly exercised by the Federal Reserve System in its use of open market operations, discount rate policy, and changes in member bank reserve requirements. As noted earlier, direct borrowing by the Government of any country from its central bank, except for temporary or emergency financing, has proved to be a dangerous step down the road toward currency debasement.

We sincerely recommend your approval of S. 3702 in recognition of the appropriateness of the direct purchase authority as a limited but very useful tool of a sound Government financial policy.

The CHAIRMAN. Without objection, the table attached to your statement will be inserted in the record at this point.

(The table referred to follows:)

Direct borrowing from Federal Reserve banks

Calendar year	Days used	Maximum amount at any time (millions)	Number of separate times used	Maximum number of days used at any one time
1942	19	$422	4	6
1943	48	1,320	4	28
1944	None			
1945	9	484	2	7
1946	None			
1947	None			
1948	None			
1949	2	220	1	2
1950	2	108	2	1
1951	4	320	2	3
1952	30	811	4	9
1953	29	1,172	2	20
1954	15	424	2	13
1955	None			
1956	None			
1957	None			
1958	2	207	1	2
1959	None			
1960: January–May	None			
Total			24	

The CHAIRMAN. Mr. Secretary, the law reads, I believe, that the Federal Reserve Board may buy directly. Am I correct in saying that technically you cannot force the Federal Reserve banks to buy a specific amount of these bonds at any specific interest rate that you see fit to fix?

Mr. BAIRD. That is correct, sir.

The CHAIRMAN. You have to negotiate the sale?

Mr. BAIRD. It is permissive but not mandatory.

The CHAIRMAN. But this is an indication, if continued as it has been in the past—and I assume, of course, it will be continued for another 2 years—that the Congress favors cooperation between these two agencies, one of which is responsible for collecting revenue for the Government and the other is an independent agency to which Congress has delegated certain powers to maintain the stability of our currency. As the Constitution says, we can coin money and fix its value, and we delegate to this independent agency some of our authority to fix the value of the money that we coin or issue. This power is intended to be used sparingly, not for the purpose of flooding the country with new currency, but to give you more mobility in timing your refinancing.

Mr. BAIRD. That is correct, sir. We would have to persuade the Federal Reserve authorities that they should agree that it was a worthy, proper purpose in each case.

The CHAIRMAN. You deal with the Federal Reserve banks themselves. And they will act under advice of the Board, I assume.

Any questions?

Senator BUSH. I presume that the only paper you give them under this authority is short-term paper? Is that right?

Mr. BAIRD. Yes.

Senator BUSH. Are you limited to that legally?

Mr. BAIRD. There is no limit under the law, but heretofore we have given them very short notes, for example 1-day notes.

Senator BUSH. This provision has never been availed of for offering them long-term bonds?

Mr. BAIRD. It has never been availed of except for this limited, short-term purpose, so there was no purpose in giving them long-term bonds; no, sir.

The CHAIRMAN. The table that has been put in the record shows the maximum number of days that this authority has been used at any one time. This table shows the very limited use of this authority. It is just a temporary device.

Mr. BAIRD. Actually, we have used it recently more sparingly than it was used in earlier years because of this device of having the C banks, the larger banks with our tax and loan balances, in which we have the right to serve notice by 10 o'clock any morning and they make funds available to us by 2 o'clock that day, or we can deposit with them on short notice.

The CHAIRMAN. For instance, our banking friend from Connecticut may be interested that the maximum number of days shown in the table for which money was borrowed under this authority was 28 days.

If there are no questions, we will take up the next bill, S. 3714, which I understand is in substance the same as S. 1177. The bill, S. 3714, and reports from the Federal Reserve and General Accounting Office will go in the record here.

(The bill and reports follow:)

[S. 3714, 86th Cong., 2d sess.]

A BILL To authorize adjustments in accounts of outstanding old series currency, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Old Series Currency Adjustment Act".

SEC. 2. The Secretary of the Treasury is hereby authorized and directed to transfer to the general fund of the Treasury, to be credited as a public debt receipt, the following:

(1) Gold held under the provisions of—

(A) section 4 of the Act of March 14, 1900, entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes" (31 U.S.C., sec. 146), and

(B) section 254 of the Revised Statutes of the United States (31 U.S.C., secs. 428 and 429),

as security for gold certificates issued prior to January 30, 1934.

(2) Standard silver dollars held under the provisions of—

(A) section 4 of such Act of March 14, 1900 (31 U.S.C., sec. 146),

(B) section 3 of the Act of February 28, 1878, entitled "An Act to authorize the coinage of the standard silver dollar, and to restore its legal-tender quality" (31 U.S.C., sec. 405), and

(C) section 5 of the Silver Purchase Act of 1934 (31 U.S.C., sec. 405a),

as security for, or for the redemption of, silver certificates issued prior to July 1, 1929.

(3) Standard silver dollars held under the provisions of—

(A) section 4 of such Act of March 14, 1900 (31 U.S.C., sec. 146),

(B) section 5 of such Act of March 14, 1900 (31 U.S.C., sec. 411), and

(C) section 5 of the Silver Purchase Act of 1934 (31 U.S.C., sec. 405a),

as security for, or for the redemption of, Treasury notes of 1890 (issued under the provisions of the Act of July 14, 1890, entitled "An Act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes" (26 Stat. 289)).

SEC. 3. The Board of Governors of the Federal Reserve System, with the approval of the Secretary of the Treasury, may require any Federal reserve bank to pay to the Secretary of the Treasury, to be credited as a public debt receipt, an amount equal to the amount of Federal reserve notes of any series prior to the series of 1928 issued to such bank and outstanding at the time of such payment.

SEC. 4. Any currency the funds for the redemption or security of which have been transferred pursuant to the provisions of section 2 of this Act, and any Federal reserve notes as to which payment has been made under section 3 of this Act, shall thereafter, upon presentation at the Treasury for redemption, be redeemed by the Secretary of the Treasury from the general fund of the Treasury and thereupon retired.

SEC. 5. (a) Except as provided in subsection (c) of this section, upon completion of the transfers and credits authorized and directed by section 2 of this Act there shall be carried on the books of the Treasury as public debt bearing no interest the following:

(1) Gold certificates issued prior to January 30, 1934.

(2) Treasury notes of 1890 (issued under the provisions of the Act of July 14, 1890, entitled "An Act directing the purchase of silver bullion and the issuance of Treasury notes thereon, and for other purposes" (26 Stat. 289)).

(3) United States legal-tender notes issued prior to July 1, 1929.

(4) Silver certificates issued prior to July 1, 1929.

(b) Except as provided in subsection (c) of this section, there shall be carried on the books of the Treasury as public debt bearing no interest Federal reserve notes as to which payment has been made to the Secretary of the Treasury under section 3 of this Act and the amount of the payment credited as a public debt receipt in accordance with such section.

(c) The Secretary of the Treasury is authorized to determine, from time to time, the amount of—

(1) outstanding currency of any type designated in subsections (a) and (b) of this section,

(2) circulating notes of Federal reserve banks, issued prior to July 1, 1929, for which the United States has assumed liability, and

(3) circulating notes of national banking associations, issued prior to July 1, 1929, for which the United States has assumed liability,

which, in his judgment, have been destroyed or irretrievably lost and so will never be presented for redemption, and to reduce accordingly the amount or amounts thereof outstanding on the books of the Treasury and to credit such amounts to the appropriate receipt account.

SEC. 6. The first paragraph of the Act of May 31, 1878, untitled "An Act to forbid the further retirement of United States legal-tender notes" (31 U.S.C., sec. 404), is amended by inserting immediately before the period at the end thereof the following: ": *And provided further,* That in the event of any determination by the Secretary of the Treasury under section 5 of the Old Series Currency Adjustment Act that an amount of said notes has been destroyed or irretrievably lost and so will never be presented for redemption, the amount of said notes required to be kept in circulation shall be reduced by the amount so determined".

SEC. 7. (a) The fifth paragraph of section 16 of the Federal Reserve Act (12 U.S.C., sec. 415) is amended by adding at the end thereof the following new sentence: "The liability of a Federal reserve bank with respect to its outstanding Federal reserve notes shall be reduced by any amount paid by such bank to the Secretary of the Treasury under section 3 of the Old Series Currency Adjustment Act."

(b) The seventh paragraph of section 16 of the Federal Reserve Act (12 U.S.C., sec. 416) is amended by striking out the third sentence and inserting in lieu thereof the following: "Any Federal reserve bank shall further be entitled to receive back the collateral deposited with the Federal reserve agent for the security of any notes with respect to which such bank has made payment to the Secretary of the Treasury under section 3 of the Old Series Currency Adjustment Act. Federal reserve banks shall not be required to maintain the reserve or the redemption fund heretofore provided for against Federal reserve notes which have been retired, or as to which payment has been made to the Secretary of the Treasury under section 3 of the Old Series Currency Adjustment Act."

SEC. 8. Nothing contained in this Act shall impair the redeemability of any currency of the United States as now provided by law.

SEC. 9. In order to provide a historical collection of the paper currency issues of the United States, the Secretary of the Treasury is authorized, after redemption, to withhold from cancellation and destruction and to transfer to a special account one piece of each design, issue, or series of each denomination of each kind of paper currency of the United States, including bank notes, heretofore or hereafter issued, and to make appropriate entries in the redemption accounts and other books of the Treasury to cover any such transfers.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, March 25, 1959.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your committee's recent request for the Board's views regarding S. 1177, introduced by you on February 26, 1959, at the request of the Secretary of the Treasury, to authorize adjustments in accounts of outstanding old series currency, and for other purposes.

The Board sees no objection to enactment of the proposed legislation. It would affect the operations of the Federal Reserve System in relatively minor respects. Under the bill, the Federal Reserve banks would be required to deposit in the Treasury gold certificates or other lawful money in an amount equal, at the time of such deposit, to the total amount of their outstanding "old series" Federal Reserve notes (as defined in the bill), which presently is about $37 million, and the liability of a Reserve bank for its outstanding notes would be reduced by the amount so deposited. Thereafter, when old series Federal Reserve notes were presented they would be redeemed from the general cash in the Treasury and retired.

The Board appreciates the opportunity to express its views on the proposed legislation.

Sincerely yours,

C. CANBY BALDERSTON, *Vice Chairman.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 9, 1959.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: Your letter of February 27, 1959, acknowledged March 2, requests our comments on S. 1177.

The bill would authorize adjustments in the accounts of paper currency issues of the United States issued prior to July 1, 1929, and gold certificates issued prior to January 30, 1934, and the writing off the Treasury statements and accounts of the amount of each denomination of each kind of old large-size currency now outstanding that has been destroyed or irretrievably lost and which in the judgment of the Secretary of the Treasury will never be presented for redemption. The effect of the proposal would be to improve the cash position of the Treasury by more than $100 million.

We believe that the purpose of S. 1177 is meritorious and would have no objections to its enactment.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

The CHAIRMAN. S. 3714 would authorize the Treasury to adjust its accounts with respect to the large size currency issued by the Government prior to 1929 and with respect to about $12 million of gold certificates issued between 1929 and 1934.

The Treasury and the Federal Reserve System are holding approximately $100 million in gold, silver, and other assets as security for this old currency. This includes about $61 million in gold and silver reserves held by the Treasury and about $37 million in reserves held by the Federal Reserve banks to secure Federal Reserve notes.

The bill would authorize the Treasury to transfer the amounts of this old currency from its currency accounts to the outstanding public debt, to be reported as part of the outstanding public debt, in the same manner as Federal Reserve bank notes, national bank notes, and U.S. notes are now reported. The Federal Reserve banks would pay to the Treasury an amount sufficient to discharge their liabilities for outstanding Federal Reserve notes. This action would make available to the Treasury for current use approximately $3 to $4 million a year. Any of the old notes presented for redemption would be redeemed in regular course from the general fund of the Treasury.

The bill would also permit the Secretary of the Treasury to determine the amount of the old currency which has been destroyed or irretrievably lost and to reduce amounts of this old currency outstanding on the records of the Treasury. This action would not impair the redeemability of any currency subsequently presented to the Treasury.

The Treasury would be authorized to withhold from destruction one piece of each currency issue to provide a historical collection of the paper currency of the United States.

The chairman would state that that appears to be a rather technical provision, but he understands it just boils down to this, that a very substantial amount of paper money has been lost or destroyed and the backing for it in gold and gold certificates is still kept for its ultimate redemption. This proposal is that instead of keeping all of those assets locked up for a contingency that may never happen, the Treasury wants the privilege of saving about $3 to $4 million a year in interest on outstanding debt by using those assets to retire the debt to that extent, with a clear provision that if any of these old notes should later show up, they will be fully redeemed.

Gentlemen of the committee, we will be glad to hear Secretary Baird on that bill.

Mr. BAIRD. Mr. Chairman, you stated very succinctly the main purposes of this bill. I can amplify on that a little if you wish, in the statement.

The CHAIRMAN. You may, if you wish, put your entire statement in the record and then give us a summary of it. Is there objection? If not, your entire statement will be printed in the record, and then, because of our press of time, you may summarize it.

Mr. BAIRD. Then to save time I will suggest the entire statement be put in the record, and I might just comment on some of the schedules that are attached to it very briefly.

(The statement referred to follows:)

STATEMENT OF JULIAN B. BAIRD, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS, ON S. 3714

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before the committee to discuss with you S. 3714, a bill to authorize adjustments in accounts of outstanding old series currency, and for other purposes.

The proposed legislation would provide (1) that certain outstanding currency issues be liquidated as such, and constituted a part of the outstanding public debt bearing no interest, and (2) authorize the Secretary of the Treasury to determine, from time to time, the amount of each denomination of each kind of old large-size currency now outstanding that in his judgment has been destroyed or irretrievably lost and so will never be presented for redemption, and to reduce accordingly the amounts thereof outstanding on the books of the Treasury.

The bill, if enacted, will be cited as the Old Series Currency Adjustment Act. It applies to all outstanding gold certificates issued prior to January 30, 1934 (no gold certificates have been issued since that date for general circulation) and to all other classes of the outstanding old large-size currency issued prior to July 1, 1929. The Treasury and the Federal Reserve System are carrying gold, silver, and other reserves against this old currency, a large portion of which, in all probability, has been destroyed while in circulation and consequently will never be presented for redemption. The adjustments authorized by the bill would free these reserves and permit the Treasury to obtain the benefit of their use for current purposes. The bill provides for the amount of this old currency which is outstanding to be carried as a part of the public debt bearing no interest, and any such old currency presented to the Treasury would be redeemed from the general fund in the Treasury and the amount of public debt outstanding would be correspondingly reduced. The amounts carried as public debt would not constitute public debt subject to the debt limitation. These transfers to the public debt accounts will not have any immediate effect on current budgets until such times as the Treasury decides that the currency has been destroyed or will never be presented for redemption. When this determination is made, the amounts involved will be covered into the Treasury as miscellaneous receipts.

This approach to an adjustment of the old large-size currency accounts is along the line of the precedent established by law and regulations for the adjustment of discontinued national bank circulation and Federal Reserve banknotes.

The proposal would have the effect of improving the Treasury's cash position by $98.3 million. This would consist of $31.2 million in gold now held as security for outstanding gold certificates, $30 million in silver held as security for the old silver certificates, and $37.1 million to be received from the Federal Reserve banks to discharge their liability on account of the old large-size Federal Reserve notes. The increase in the Treasury's cash position from these sources will enable us to decrease by a corresponding amount our outstanding interest-bearing marketable public debt obligations, with an annual saving in our interest costs ranging from $3 to $4½ million on the basis of present interest rates, while this old currency remains outstanding.

The Treasury will, from time to time, make estimates of the amounts of this old currency which have been destroyed and will reduce the outstanding amounts at such times. We have a basis for making an early determination in the case of the Treasury notes of 1890, because only minor amounts of such notes have been presented in recent years. We will make determinations for the other classes of currency from time to time, when it appears that only nominal amounts are received for redemption.

The provisions of the bill that authorize the Secretary of the Treasury to determine the amount of the old currency which. in his judgment, has been destroyed or irretrievably lost and so will not be presented for redemption, and to reduce accordingly the amount, or amounts, thereof outstanding on the records of the Treasury, would not in any way impair the redeemability of such currency if it is subsequently presented to the Treasury. Except for a reduction of $1 million in the amount of outstanding U.S. notes determined to have been destroyed with the Subtreasury during the Chicago fire in 1871, and for writeoffs of $8,375,934 in 1880 and $4,842,066.45 in 1920 of the fractional currency issued in the 1870's, the Treasury has never reduced its outstanding currency accounts for currency held in private ownership and destroyed by fires, floods, or in other ways. For example, about $1,100,000 of old Treasury notes of 1890, which have not been issued since 1893, are outstanding, and only about $25,000 of such notes have been presented for redemption in the last 20 years.

The proposed bill also contains a provision to permit the Treasury to withhold from destruction pieces of each currency issue to provide a historical collection of the paper currency of the United States.

Enactment of this bill would be a businesslike step that would result in savings to the taxpayers, without any adverse effect upon the Government's credit and without impairing in the least the redeemability of the old currency. Favorable consideration is recommended.

TABLE I.—*Statement showing by kinds the total amounts of large-size and small-size paper currency outstanding June 30, 1959*

	Large-size [1]	Small-size	Total
U.S. notes	$24,299,409	$322,381,607	$346,681,016
Gold certificates:			
Series of 1934		2,815,555,600	2,815,555,600
Other	18,310,454	12,928,845	31,239,299
Silver certificates	29,992,755	2,405,635,215	2,435,627,970
Treasury notes of 1890	1,142,984		1,142,984
Federal Reserve notes	37,082,395	28,239,346,205	28,276,428,600
Federal Reserve bank notes	2,099,444	109,523,175	111,622,619
National bank notes	29,361,678	28,370,772	57,732,450
Total	142,289,119	33,933,741,419	34,076,030,538

[1] Issued prior to July 1, 1929.

TABLE II.—*Old series currency*

	Total issued prior to June 30, 1929	Outstanding, June 30, 1959
U.S. notes	$8,903,427,808	$24,299,409
Gold certificates	13,447,187,300	18,310,454
Silver certificates	12,374,855,800	29,992,755
Treasury notes of 1890	447,435,000	1,142,984
Federal Reserve notes	23,738,946,680	37,082,395
Federal Reserve bank notes	761,944,000	2,099,444
National bank notes	14,081,189,225	29,361,678
Total	73,754,985,813	142,289,119

TABLE III.—*Old series U.S. paper currency retired, by fiscal years, June 30, 1929, to June 30, 1959*

	U.S. notes	Gold certificates	Silver certificates	Treasury notes of 1890	National bank notes	Federal Reserve bank notes	Federal Reserve notes	Total	Number of pieces
Outstanding, June 30, 1929	$333, 129, 016	$1, 396, 888, 159	$434, 920, 963	$1, 286, 050	$708, 397, 947	$3, 711, 131	$2, 123, 610, 415	$5, 001, 943, 681	823, 619, 587
Retired, fiscal year—									
1930	273, 089, 625	1, 096, 923, 700	372, 081, 319	24, 500	550, 236, 079	451, 089	1, 655, 411, 660	3, 948, 217, 972	697, 836, 973
1931	13, 030, 807	110, 951, 070	12, 404, 060	21, 800	57, 935, 122	286, 080	192, 716, 855	387, 345, 794	35, 525, 202
1932	6, 567, 281	46, 447, 600	5, 962, 837	17, 100	20, 383, 626	201, 922	73, 931, 095	153, 511, 461	14, 906, 433
1933	5, 469, 904	69, 333, 230	5, 012, 514	18, 500	18, 207, 750	190, 106	56, 502, 190	154, 734, 194	13, 131, 490
1934	3, 505, 468	22, 047, 830	3, 245, 899	13, 150	8, 559, 137	149, 171	29, 203, 645	66, 724, 300	7, 328, 932
1935	1, 641, 249	7, 136, 850	1, 518, 174	7, 650	4, 584, 795	52, 640	17, 210, 250	32, 151, 608	3, 435, 069
1936	1, 272, 953	4, 324, 475	1, 185, 912	5, 502	5, 182, 458	72, 663	11, 517, 420	23, 561, 383	2, 715, 257
1937	851, 526	2, 730, 515	835, 630	4, 600	2, 663, 382	28, 278	7, 974, 020	15, 087, 951	1, 724, 046
1938	632, 558	3, 222, 080	549, 584	2, 600	1, 874, 910	20, 301	5, 988, 610	12, 290, 643	1, 262, 756
1939	443, 122	1, 235, 320	354, 142	2, 700	1, 580, 798	40, 262	5, 127, 130	8, 783, 474	841, 296
Total, 10 years	306, 504, 493	1, 364, 352, 670	403, 150, 071	118, 102	671, 208, 057	1, 492, 512	2, 055, 582, 875	4, 802, 408, 780	778, 707, 454
Retired:									
1940–44	1, 036, 527	6, 339, 995	690, 693	12, 600	4, 026, 379	58, 680	14, 817, 370	26, 982, 244	
1945–49	740, 860	3, 951, 390	619, 492	8, 402	2, 129, 947	33, 425	8, 846, 960	16, 330, 476	
1950	121, 286	776, 660	95, 719	355	355, 609	6, 338	1, 231, 450	2, 587, 417	
1951	89, 018	535, 220	75, 036	5	247, 840		1, 257, 285	2, 204, 404	
1952	49, 450	437, 520	44, 240		150, 524		515, 950	1, 197, 684	
1953	52, 809	338, 200	47, 343	4	172, 334	10, 254	960, 110	1, 581, 054	
1954	51, 281	327, 160	44, 731	2, 929	215, 045		799, 200	1, 440, 346	
1955	46, 017	301, 660	37, 830	454	116, 815	3, 794	620, 715	1, 127, 285	
1956	30, 359	374, 260	30, 898	1	130, 456		557, 485	1, 123, 459	
1957	53, 951	355, 920	44, 289	12	107, 451	302	480, 805	1, 042, 730	
1958	26, 592	255, 180	25, 583	5	109, 910	4, 703	498, 095	920, 068	
1959	26, 964	231, 870	22, 283	197	65, 902	1, 679	359, 720	708, 615	
Total, 20 years	2, 325, 114	14, 225, 035	1, 778, 137	24, 964	7, 828, 212	119, 175	30, 945, 145	57, 245, 782	5, 108, 128
Total retired	308, 829, 607	1, 378, 577, 705	404, 928, 208	143, 066	679, 036, 269	1, 611, 687	2, 086, 528, 020	4, 859, 654, 562	783, 815, 582
Outstanding, June 30, 1959	24, 299, 409	18, 310, 454	29, 992, 755	1, 142, 984	29, 361, 678	2, 099, 444	37, 082, 395	142, 289, 119	39, 804, 005

TABLE IV.—*Old series paper currency outstanding*

	U.S. notes	Gold certificates	Silver certificates	Treasury notes of 1890	National bank notes	Federal Reserve bank notes	Federal Reserve notes	Total	Number of pieces
June 30—									
1929	$333, 129, 016	$1, 396. 888, 159	$434, 920, 963	$1, 286, 050	$708, 397, 947	$3, 711, 131	$2, 123, 610, 415	$5, 001, 943, 681	823, 619, 587
1930	60, 039, 391	299, 964, 459	62, 839, 644	1, 261, 550	158, 161, 868	3, 260, 042	468, 198, 755	1, 053, 725, 709	125, 782, 614
1931	47, 008, 584	189, 013, 389	50, 435, 584	1, 239, 750	100, 226, 746	2, 973, 962	275, 481, 900	666, 379, 915	90, 257, 412
1932	40, 441. 303	142, 565, 789	44, 472, 747	1, 222, 650	79, 843, 120	2, 772, 040	201, 550, 805	512, 868, 454	75, 350, 979
1933	34, 971, 399	73, 232, 559	39, 460, 233	1, 204, 150	61, 635, 370	2, 581, 934	145, 048, 615	358, 134, 260	62, 219, 489
1934	31, 465, 931	51, 184, 729	36, 214. 334	1, 191, 000	53, 076, 233	2, 432, 763	115, 844, 970	291, 409, 960	54, 890, 557
1935	29, 824, 682	44, 047, 879	34, 696, 160	1, 183, 350	48, 491, 438	2, 380, 123	98, 634, 720	259, 258, 352	51, 455, 488
1936	28, 551, 729	39, 723, 404	33, 510, 248	1, 177, 848	43, 308, 980	2, 307, 460	87, 117, 300	235, 696, 969	48, 740, 231
1937	27, 700, 203	36, 992, 889	32, 674, 618	1, 173, 248	40, 645, 598	2, 279, 182	79, 143, 280	220, 609, 018	47, 016, 185
1938	27, 067, 645	33, 770, 809	32, 125, 034	1, 170, 648	38, 770, 688	2, 258, 881	73, 154, 670	208, 318, 375	45, 753, 429
1939	26, 624, 523	32, 535, 489	31, 770, 892	1, 167, 948	37, 189, 890	2, 218, 619	68, 027, 540	199, 534, 901	44, 912, 133
1940	26, 333. 906	30, 320, 064	31, 558, 628	1, 163, 948	36, 011, 705	2, 203, 796	63, 652, 070	191, 244, 117	----------------
1944	25, 587, 996	26, 195, 494	31, 080, 199	1, 155, 348	33, 163, 511	2, 159, 939	53, 210, 170	172, 552, 657	----------------
1945	25, 486, 585	25, 458, 544	31, 017, 732	1, 151, 138	32, 727, 358	2, 151, 463	51, 168, 600	169, 161, 420	----------------
1949	24, 847, 136	22, 244, 104	30, 460. 707	1, 146, 946	31, 033, 564	2, 126, 514	44, 363, 210	156, 222, 181	----------------
1950	24, 725, 850	21, 467, 444	30, 364, 988	1, 146, 591	30, 677, 955	2, 120, 176	43, 131, 760	153, 634, 764	----------------
1951	24, 636, 832	20, 932, 224	30, 289, 952	1, 146, 586	30, 430, 115	2, 120, 176	41, 874, 475	151, 430, 360	----------------
1952	24, 587, 382	20, 494. 704	30, 245, 712	1, 146, 586	30, 279, 591	2, 120, 176	41, 358, 525	150, 232, 676	----------------
1953	24, 534, 573	20, 156, 504	30, 198, 369	1, 146, 582	30, 107, 257	2, 109, 922	40, 398, 415	148, 651, 622	40, 914, 485
1954	24, 483, 292	19, 829, 344	30, 153, 638	1, 143, 653	29, 892, 212	2, 109, 922	39, 599, 215	147, 211, 276	40, 798, 788
1955	24, 437, 275	19, 527, 684	30, 115, 808	1, 143, 199	29, 775, 397	2, 106, 128	38, 978, 500	146, 083, 991	40. 702, 735
1956	24, 406, 916	19, 153, 424	30, 084, 910	1, 143, 198	29, 644, 941	2, 106, 128	38, 421, 015	144, 960, 532	40, 620, 522
1957	24, 352, 965	18, 797, 504	30, 040, 621	1, 143, 186	29, 537, 490	2, 105, 826	37, 940, 210	143, 917, 802	40, 514, 394
1958	24, 326, 373	18, 542, 324	30, 015, 038	1, 143, 181	29, 427, 580	2, 101, 123	37, 442, 115	142, 997, 734	----------------
1959	24, 299, 409	18, 310, 454	29, 992, 755	1, 142, 984	29, 361, 678	2, 099, 444	37, 082, 395	142, 289, 119	39, 804, 008

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TABLE V.—*U.S. notes*

		Percent
Outstanding June 30, 1959:		
Old series	$24, 299, 409	7. 01
New series	322, 381, 607	92. 99
Total as currency	346, 681, 016	100
Gold reserve (deduct)	156, 039, 431	45
Total as debt	190, 641, 585	55
Old series:		
Total issued	8, 903, 427, 808	--------
Outstanding June 30, 1959	24, 299, 409	[1] 0. 273

[1] Say ¼ of 1 percent.

The present amount of outstanding U.S. notes ($346,681,016) was fixed by the act of May 31, 1878, which requires the notes to be reissued when received for redemption or otherwise. Previously, after the Chicago fire in 1871, it was determined that $1 million of U.S. notes were destroyed with the subtreasury. The amount was never replaced. It was deducted from the total outstanding.

The United States already has realized any profit that can accrue through destroyed outstanding notes. The money in circulation has become adjusted to such losses, and there is no occasion for replacing the destroyed notes. The only action necessary is to write off the debt when the amount shall have been determined. Such action would be in accordance with the Chicago fire precedent. It will be specifically authorized in section 5(c) of the proposed bill. Under section 6 the amount of notes required to be kept in circulation would be reduced by the amount written off.

TABLE V.—*Gold certificates*

Old series:	
Total issued	$13, 447, 187, 300
Outstanding June 30, 1959	[1] 18, 310, 454

[1] (0.14 percent; say one-seventh of 1 percent.)

A like amount of gold is held in the Treasury as security. Section 2 of the proposed bill contemplates the transfer of this gold to the general fund as a public debt receipt, and at the same time under section 5(a) the conversion of a currency liability into a public debt liability, payable on demand. The liquidation of this debt will be a slow process, but in the end, in all probability, the greater part will be presented. Meanwhile, the United States will receive the benefit; the gold will be available for the issuance of gold certificates transferable to Federal Reserve banks for the credit of the Treasurer of the United States, and, to the extent old series certificates are outstanding, the United States will gain through reduced interest charges, for this amount of debt will not bear interest.

New series: Outstanding June 30, 1959 .... $12, 928, 845

This represents the balance of small-size gold certificates outstanding at time of enactment on January 30, 1934, of the Gold Reserve Act of 1934, and which had not been surrendered under the order of the Secretary of the Treasury of December 28, 1933. Under that act no currency of the United States shall be redeemed in gold. Since the holders of these gold certificates may not redeem them for gold, there is no need to maintain a full gold reserve against them. These new series certificates will be treated in the same manner as the old series under the proposed bill.

TABLE VI.—*Silver certificates—Treasury notes of 1890*

Old series:	
Silver certificates:	
Total issued	$12, 374, 855, 800
Outstanding June 30, 1959	[1] 29, 992, 755
Treasury notes of 1890:	
Total issued	447, 435, 000
Outstanding June 30, 1959	[2] 1, 142, 984
Standard silver dollars held in the Treasury as security for outstanding old series silver certificates and Treasury notes of 1890	31, 135, 739

[1] 0.242 percent; say ¼ of 1 percent.
[2] 0.255 percent; say ¼ of 1 percent.

Section 2 of the proposed bill contemplates the transfer of the silver dollars now held as security (for the redemption of the old series silver certificates and Treasury notes of 1890) to the general fund as a public debt receipt, and at the same time under section 5(a) the conversion of a currency liability into a public debt liability. When the silver dollars shall have been released to the general fund, they will become "free" dollars, and available for deposit for the issue of additional amounts of silver certificates. In effect, the United States will borrow an amount equal to the silver dollars impounded against the outstanding old series currency, which will not bear interest but which will be repayable on demand. And for that part which will not be presented ultimately for payment the profit will inure to the United States.

TABLE VII.—*Federal Reserve notes*

Old series:	
Total issued	$23, 738, 946, 680
Outstanding June 30, 1959	[1] 37, 082, 395

[1] 0.156 percent; say ⅙ of 1 percent.

Section 3 of the accompanying bill relates to retirement of Federal Reserve notes of the old series. The provisions authorize the Federal Reserve Board, with the approval of the Secretary of the Treasury to require the Federal Reserve banks to pay to the Secretary of the Treasury amounts equal to outstanding old size notes at the time of such payment. Section 7 provides that the liability of the Federal Reserve banks for Federal Reserve notes shall be reduced by the amount of such payment, and that the collateral held by Federal Reserve agents shall thereupon be released. Section 5(b) provides that the notes shall thereupon be carried as public debt bearing no interest.

TABLE VIII.—*National bank notes*

Old series:	
Total issued	$14, 081, 189, 225
Outstanding June 30, 1959	[1] 29, 361, 678

[1] 0.209 percent; say ⅕ of 1 percent.

TABLE IX.—*Federal Reserve bank notes*

Old series:	
Total issued	$761, 944, 000
Outstanding June 30, 1959	[1] 2, 099, 444

[1] 0.276 percent; say ¼ of 1 percent.

Under existing law, when a national bank deposits lawful money to retire its outstanding circulation, the money so deposited is covered into the Treasury as a miscellaneous receipt, the amount is set up as an item of public debt bearing no interest, and thereafter any notes so covered for retirement, on presentation, are redeemed from the general cash in the Treasury and the outstanding debt reduced accordingly. (U.S.C., title 12, sec. 122, act July 14, 1890.)

The same provisions of law relate to Federal Reserve bank notes. All outstanding national bank notes and Federal Reserve bank notes of the old series have been covered by deposits of lawful money in the Treasury, to provide for their retirement on presentation, and the amounts outstanding are carried as items of the public debt bearing no interest.

Under section 5(c) of the proposed bill, any gain resulting from the destruction or the irretrievable loss of notes covered by such deposits, accrues to the United States. At such time as the Secretary may have determined what amount of such covered notes will never be presented for redemption, the outstanding debt bearing no interest may be reduced in that amount.

Excerpt From Daily Statement of the U.S. Treasury, May 31, 1960

The deposits and withdrawals shown in this statement are those that affect the account of the Treasurer of the United States. Receipts and expenditures of the U.S. Government on a budgetary basis, showing surplus or deficit, reported daily prior to February 17, 1954, are now published in a separate monthly statement available shortly after the middle of the following month.

Account of Treasurer of the United States

ASSETS	
Gold (oz. 552,918,778.2)	[a] $19,352,157,236.68
Total	19,352,157,236.68
Silver (oz. 1,741,339,335.5)	2,251,428,634.12
Silver dollars (oz. 135,525,055.5)	175,224,314.00
Total	2,426,652,948.12
Gold balance (as above)	106,968,986.37
Silver balance (as above)	40,149,481.12
Subsidiary coin (oz. 9,553,669.2)	13,207,076.80
Other silver bullion (oz. 156,324,761.0)	114,709,546.41
Other coin and currency	103,530,201.57
Unclassified-collections, etc	50,021,126.27
Deposits in:	
Federal Reserve banks:	
Available funds	461,869,763.54
In process of collection	150,082,543.32
Special depositaries, Treasury Tax and Loan Accounts	6,180,477,045.47
Other depositaries	376,876,812.92
Total	7,597,892,583.79
LIABILITIES	
Gold certificates, etc	19,245,188,250.31
Balance of gold	106,968,986.37
Total	19,352,157,236.68
Silver certificates, etc	2,386,503,467.00
Balance of silver	40,149,481.12
Total	2,426,652,948.12
Board of trustees, Postal Savings System:	
5-percent reserve, lawful money	42,500,000.00
Other deposits	18,360,225.61
Uncollected items, exchanges, etc	26,217,850.12
Balance [1]	7,510,814,508.06
Total	7,597,892,583.79

[1] Balance corresponding day last year was $5,888,203,603.04.
[a] Amount on May 29, 1959, was $20,187,714,127.74.

Cash deposits and withdrawals

Classification	This month to date	Corresponding period last year	Fiscal year 1960 to date (beginning July 1, 1959)	Corresponding period fiscal year 1959 (beginning July 1, 1958)
DEPOSITS				
Internal revenue:				
Individual income taxes withheld [2]	$4, 434, 416, 159. 25	$4, 027, 073, 756. 96	$29, 025, 674, 744. 35	$26, 237, 158, 245. 13
Individual income taxes other [2]	[d]1, 335, 676, 727. 54	786, 177, 654. 89	[d]11, 455, 403, 619. 05	10, 074, 830, 511. 85
Corporation income taxes	476, 997, 985. 29	419, 977, 109. 84	16, 682, 086, 839. 20	13, 294, 439, 165. 89
Excise taxes	1, 016, 597, 054. 68	965, 713, 395. 39	10, 535, 309, 902. 15	9, 848, 492, 595. 43
Employment taxes:				
Federal Insurance Contributions Act and Self-Employment Contributions Act [2]	[d]1, 834, 364, 610. 99	1, 416, 771, 353. 16	[d]9, 106, 911, 494. 11	7, 355, 183, 357. 79
Railroad Retirement Tax Act [3]	87, 343, 101. 24	75, 840, 391. 22	556, 748, 616. 29	477, 094, 384. 92
Federal Unemployment Tax Act	2, 637, 970. 12	1, 412, 129. 58	340, 684, 647. 95	324, 241, 390. 95
Estate and gift taxes	198, 319, 782. 62	150, 635, 432. 55	1, 487, 201, 837. 75	1, 249, 950, 255. 73
Taxes not otherwise classified	5, 537, 449. 48	2, 229, 104. 15	7, 347, 984. 65	1, 788, 828. 15
Customs	98, 213, 263. 86	116, 216, 258. 14	1, 035, 821, 576. 41	876, 141, 260. 44
Deposits by States and Railroad Retirement Board in unemployment trust fund	761, 885, 331. 65	571, 553, 380. 57	2, 236, 972, 127. 38	1, 757, 215, 469. 22
Veterans' life insurance funds	40, 763, 426. 64	37, 126, 867. 90	440, 032, 226. 36	437, 022, 715. 81
All other	463, 707, 302. 59	413, 082, 557. 21	4, 250, 964, 649. 97	3, 393, 212, 967. 44
Total	10, 756, 460, 165. 95	8, 983, 809, 391. 56	87, 161, 160, 265. 62	75, 326, 771, 148. 75
Deduct: Refunds of receipts	1, 075, 405, 728. 45	1, 148, 142, 636. 32	4, 890, 991, 080. 28	4, 851, 625, 271. 70
Net deposits	9, 681, 054, 437. 50	7, 835, 666, 755. 24	82, 270, 169, 185. 34	70, 475, 145, 877. 05
WITHDRAWALS				
Defense Department:				
Military (including military assistance)	3, 236, 475, 623. 93	[c]3, 435, 379, 377. 82	[c]39, 502, 279, 360. 10	[c]39, 673, 865, 231. 96
Civil	66, 868, 848. 54	62, 841, 268. 90	805, 583, 981. 62	697, 492, 542. 58
Mutual security-economic	137, 893, 001. 05	[c] 112, 645, 434. 23	[c] 1, 425, 214, 650. 42	[c] 1, 345, 129, 946. 52
Veterans' Administration	450, 256, 015. 65	409, 362, 709. 31	4, 721, 902, 050. 32	4, 705, 467, 860. 29
Interest on the public debt	683, 826, 157. 45	686, 571, 415. 42	6, 631, 030, 051. 06	5, 043, 654, 343. 71
Federal employees' retirement funds	77, 397, 383. 05	70, 276, 517. 02	816, 959, 850. 27	722, 091, 489. 10
Federal old-age and survivors insurance trust fund	902, 956, 382. 75	829, 943, 077. 22	9, 549, 355, 856. 28	8, 372, 936, 529. 69
Railroad retirement account	81, 255, 751. 73	68, 367, 153. 46	849, 231, 965. 62	713, 913, 561. 01
Unemployment trust fund	234, 279, 969. 43	167, 484, 307. 08	2, 461, 542, 770. 99	2, 885, 503, 571. 68
Veterans' life insurance funds	55, 756, 506. 97	53, 410, 097. 89	604, 191, 540. 67	579, 402, 345. 33
All other	1, 242, 619, 297. 31	1, 461, 972, 298. 80	14, 574, 153, 785. 24	14, 876, 205, 652. 50
Total	7, 469, 584, 937. 86	7, 358, 253, 657. 15	81, 941, 445, 862. 59	79, 615, 663, 074. 37
Government corporations, etc	322, 821, 080. 67	354, 694, 514. 88	3, 575, 708, 253. 47	5, 936, 456, 729. 43
Clearing account	221, 006, 519. 84	220, 075, 207. 27	[b] 408, 496, 838. 17	[b] 202, 872, 872. 59
Total withdrawals	8, 013, 412, 538. 37	7, 933, 023, 379. 30	85, 108, 657, 277. 89	85, 349, 246, 931. 21

[2] Distribution made in accordance with provisions of sec. 201 of the Social Security Act, as amended, for appropriation to the Federal old-age and survivors insurance trust fund and Federal disability insurance trust fund.
[3] Amounts equal to taxes on carriers and their employees (minus refunds) are appropriated to the railroad retirement account.
[b] Contra entry (deduct).
[c] Revised on account of reclassification.
[d] "Individual income taxes other" exclude $157,000,000 estimated taxes on self-employed individuals classified as "Employment taxes: Federal Insurance Contributions Act and Self-Employment Contributions Act."

Cash deposits and withdrawals

MATURED DEBT ON WHICH INTEREST HAS CEASED		Amount outstanding
Old debt matured—issued prior to April 1, 1917 (excluding Postal Savings bonds)		[5] $1,370,600.26
2½% Postal Savings bonds		[5] 619,080.00
First Liberty bonds, at various interest rates		[5] 712,100.00
Other Liberty bonds and Victory notes, at various interest rates		4,976,050.00
Treasury bonds, at various interest rates		25,454,050.00
Adjusted Service bonds of 1945		2,131,050.00
Treasury notes, at various interest rates		38,480,550.00
Certificates of indebtedness, at various interest rates		7,146,050.00
Treasury bills		21,631,000.00
Treasury savings certificates		[5] 74,650.00
Treasury tax and savings notes		1,948,375.00
United States savings bonds [11]		296,168,474.00
Armed forces leave bonds		11,396,400.00
Total matured debt on which interest has ceased		412,108,429.26
DEBT BEARING NO INTEREST		
Special notes of the United States: [12]		
International Monetary Fund series		2,238,000,000.00
Other:		
United States savings stamps		54,026,908.06
Excess profits tax refund bonds [13]		796,882.71
United States notes	$346,681,016.00	
Less: Gold reserve	156,039,430.93	
		[5] 190,641,585.07
National and Federal Reserve bank notes assumed by the United States on deposit of lawful money for their retirement		[5] 157,591,969.50
Old demand notes and fractional currency		[5] 2,018,455.50
Thrift and Treasury savings stamps		[5] 3,705,239.50
Total debt bearing no interest		2,646,781,040.34
Total gross public debt (including $25,571,900,974.10 debt incurred to finance expenditures of Government corporations and other agencies for which obligations of such corporations and agencies are held by the Treasury		289,366,525,591.97
Guaranteed obligations not owned by Treasury		133,449,375.00
Total debt and guaranteed obligations		289,499,974,966.93
Deduct debt not subject to statutory limitation (see footnote 5)		406,533,679.87
Total debt subject to limitation [14]		289,093,441,287.14

[5] The items not subject to the statutory debt limitation are keyed to this footnote and consist of (a) Panama Canal bonds; (b) certain matured debt; and (c) certain debt bearing no interest.

[11] The face value of United States savings bonds of Series F or G of any yearly series maturing from month to month which are not currently presented for retirement will continue to be reflected as interest-bearing debt until all the bonds of the series have matured. Thereafter, the total amount outstanding is reflected as matured debt on which interest has ceased.

[12] Issued pursuant to the provisions of the Bretton Woods Agreements Act, approved July 31, 1945, and under the authority of and subject to the provisions of the Second Liberty Bond Act, as amended. The notes are non negotiable, bear no interest, and are payable on demand.

[13] Issued under the authority of and subject to the provisions of the Second Liberty Bond Act, as amended, and sections 780 to 783, inclusive, of the Internal Revenue Code, as amended. Issued in series depending upon the tax years for which credits are available and in amounts certified to the Secretary of the Treasury by the Commissioner of Internal Revenue. Bear no interest and mature at yearly intervals after the cessation of hostilities, as provided by Section 780(e) of the Internal Revenue Code, as amended, and are redeemable at the option of the owner on or after January 1, 1946.

[14] Statutory debt limit was changed by the Act approved June 30, 1959 from $283 billion to $285 billion. The limit, including temporary increases, was $280 billion from February 26 to September 2, 1958; $288 billion from September 2, 1958 to June 29, 1959; and $290 billion on June 30, 1959. From July 1, 1959 to June 30, 1960, the limit is $295 billion. Thereafter it will revert to $285 billion.

Mr. BAIRD. If you would turn to schedule III—I believe you have it before you—which is headed, "Old Series U.S. Paper Currency Retired, by Fiscal Years," these are the issues we are discussing. If you will look near the middle you will see, "Treasury notes of 1890." You will notice $1,142,984 of that currency is outstanding, but in the last 20 years there has been only about $25,000 of that currency presented. For instance, last year there was only $197. The year before, $5. The year before, $12, and the year before, $1.

Now, it just stands to reason that in the long history of this country, with the hundreds of thousands of homes that have been burned and the ships that go down, a lot of this currency is gone. There was originally a very large amount of it outstanding, and this is the residue, and probably most of that would not appear, and yet we are holding reserves, metallic reserves against this currency that could be freed to support other currency, new currency, and therefore obviate our borrowing an equivalent amount from the public.

Senator BUSH. And these other columns are simply other issues of currency that are similar to these Treasury notes of 1890.

Mr. BAIRD. This is all old currency issued before July 1, 1929, except the gold certificates that were put out in small currency between 1929 and 1934 when the Gold Reserve Act of 1934 was passed. We do not redeem those now in gold, but only in other forms of currency. There is a small amount of those included. Otherwise, it is all old, large size currency.

The CHAIRMAN. Mr. Secretary, does that conclude your testimony?

Mr. BAIRD. Yes. I just say in conclusion that this looks like a businesslike transaction. It in no way impairs the credit of the United States, it in no way impairs the redeemability of these notes.

Senator BUSH. What is the status of this in the House?

Mr. BAIRD. The status of this in the House is that they say they will act promptly on this now if it is passed by the Senate.

The CHAIRMAN. We will, without objection, insert the Treasury Department memorandum, "Coins and Currency of the United States," at the end of this record.

Mr. Secretary, I am sorry more members of the committee are not present to see this exhibit of old bills. I believe it is against the law to reproduce them in the record.

So if there are no further questions, we thank you gentlemen of the Treasury Department. We will take this matter up this morning in executive session.

(Whereupon, at 10:25 a.m., the committee went into executive session.)

(The following was ordered inserted in the record:)

COINS AND CURRENCY OF THE UNITED STATES [1]

FOREWORD

This statement contains a summary account of the more important changes in the monetary system of the United States since its inception, together with a brief historical account of the various coins and paper currencies which have constituted the money circulation of the United States. The summary has been prepared for the information of the general public, and is not to be regarded as a comprehensive or legally definitive treatise.

The material is arranged in four parts: I. History of the Monetary Standard; II. History of the Coins; III. History of the Paper Currency; IV. Description of the Money of the United States, June 30, 1947.

PART I. HISTORY OF THE MONETARY STANDARD

Under the Articles of Confederation, the Congress in 1785 adopted the dollar as the monetary unit of the United States, and in 1786 fixed its value at 375.64 grains of pure silver. This unit was derived from the Spanish piaster, or milled dollar, which had constituted a large part of the metallic circulation of the English colonies in America.

Congress, by the act of April 2, 1792, established the first monetary system of the United States under the Constitution. That act provided "that the money of account of the United States shall be expressed in dollars or units, dismes or tenths, cents or hundredths, and milles or thousandths," and established two units of value: the gold dollar containing 24.75 grains of pure gold (27 grains of standard gold 0.916⅔ fine), and the silver dollar containing 371.25 grains of pure silver (416 grains of standard silver 0.8924 fine), the proportionate mint ratio of the two metals being 1 to 15. A mint was established at Philadelphia,

[1] Source: Office of Secretary of Treasury. Office of the Technical Staff.

and provision was made for the coinage of both gold and silver coins. The coinage was unlimited and there was no mint charge. Both gold and silver coins were legal tender.

The act of 1792 undervalued gold in relation to silver, and gold was therefore exported. To remedy this the act of June 28, 1834, reduced the content of the gold dollar from 24.75 to 23.2 grains of pure gold, and reduced the standard weight from 27 to 25.8 grains, thus reducing the fineness to 0.899225, and, since the fine content of the silver dollar was unchanged, making the mint ratio between gold and silver 1 to 16.002. By the act of January 18, 1837, the fineness of both gold and silver coins was fixed at 0.900, and the weight of the gold dollar was fixed at 25.8 grains of standard or 23.22 grains of pure gold; and, since the fine content of the silver dollar was unchanged, a new mint ratio of 1 to 15.988+ for gold and silver was thereby established.

However, both the acts of 1834 and 1837 undervalued silver in terms of gold, and silver was attracted to Europe by the more favorable ratio there obtaining. By the act of February 21, 1853, in order to eliminate the disadvantages resulting from the disappearance of fractional silver coins from circulation, the fine silver content of silver coins for fractional parts of a dollar was reduced approximately 7 percent (previously their silver content had been exactly proportional to that of the silver dollar), and they were made legal tender to the amount of $5 only (previously they had been full legal tender). This act also discontinued free coinage of fractional silver coins, and provided that thereafter they should be coined only for the account of the Treasury, any profit accruing to the United States through their coinage to be covered into the Treasury as seigniorage.

The act of February 12, 1873, codified the coinage laws then in effect and made a number of changes in the monetary structure. This act declared that a gold "one-dollar piece" (of unchanged fineness and content, 25.8 grains of standard gold 0.900 fine, or 23.22 grains of pure gold) should be "the unit of value"; coinage of gold was to be unlimited, and gold coins were full legal tender. Silver coins for fractional parts of a dollar, except for the half-dime which was abolished, were continued, as provided in the act of 1853, with only a slight change in their silver content (and without change in their limited legal tender qualities). Former provision for silver dollars (of 371.25 grains of pure silver) was omitted (a trade dollar containing 378 grains of pure silver, intended for export to the Orient in exchange for goods, was authorized; its free coinage was discontinued in 1878).

The act of February 28, 1878 (Bland-Allison Act), again provided for the coinage of the silver dollar of the weight (412.5 grains) and standard (0.900 fine), i.e., 371.25 grains of pure silver, as provided by the act of January 18, 1837, and provided that all such silver dollars together with those previously coined should be legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract. (For silver purchase and coinage provisions see pp. 7–12.)

The act of July 14, 1890 (Sherman Act), which provided for the purchase of silver (see p. 8) and the issuance of Treasury notes of the United States (see p. 18) in payment therefor stated "that upon demand of the holder of any of the Treasury notes herein provided for the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin, at his discretion, it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law."

The act of November 1, 1893, repealed the purchasing clause of the act of July 14, 1890, and declared it to be "the policy of the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value, such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payment of debts."

The act of March 14, 1900, reaffirmed the act of 1873 by providing that, "the dollar consisting of 25.8 grains of gold nine-tenths fine, * * * shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity." This act also provided that nothing contained in the act "shall be construed to affect the legal-tender quality as now provided by law of the silver dollar, or of any other money coined or issued by the United States."

In 1913, Congress provided in the Federal Reserve Act that "nothing in this act contained shall be construed to repeal the parity provision or provisions contained in an act approved March fourteenth, nineteen hundred, * * * and the Secretary of the Treasury may for the purpose of maintaining such parity and to strengthen the gold reserve, borrow gold on the security of United States bonds * * * ."

Under powers granted by the act of October 6, 1917 (Trading With the Enemy Act), confirmed and broadened by the act of March 9, 1933 (Emergency Banking Act), the President issued a series of Executive orders in March and April 1933, the effect of which was temporarily to take the United States off the gold standard. Gold coin, gold bullion, and gold certificates were required to be surrendered to the Federal Reserve banks and strict control over the export of gold was maintained by the Treasury.

Title III of the act of May 12, 1933, known as the Thomas amendment, empowered the President to reduce the gold content of the dollar by as much as 50 percent. The President did not exercise this power until January 31, 1934, but during the latter part of 1933, and January 1934, the Government bought gold at prices ranging from $20.67 an ounce (the previously existing standard price) to $34.45 an ounce.

Title III of the act of May 12, 1933, as amended by the joint resolution of June 5, 1933, provided that all coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations) should be legal tender for all debts, public and private, public charges, taxes, duties, and dues. (This policy was further implemented by the joint resolution of August 27, 1935, which provided that the lawful holders of the coins or currencies of the United States should be entitled to exchange them, dollar-for-dollar, for other coins or currencies which are lawfully acquired and are legal tender for public and private debts.)

The joint resolution of June 5, 1933, declared all contractual provisions requiring payment in gold or any particular kind of coin or currency against public policy, and provided that all obligations previously incurred, or to be incurred in the future, would be legally discharged by payment dollar-for-dollar in any coin or currency which at the time of payment was legal tender for public and private debts.

On December 21, 1933, the President, pursuant to power vested in him by title III of the act of May 12, 1933, issued the first of a series of proclamations directing the purchase by the mints of newly mined domestic silver. The purchase of newly mined domestic silver is discussed further in part II on the History of the Coins, under the head "Standard Silver Dollars."

The Gold Reserve Act, approved January 30, 1934, crystallized the policy developed during 1933; and, in effect, established as the monetary standard a form of the gold bullion standard. The act vested in the United States title to all gold coin and gold bullion held by the Federal Reserve banks and in exchange for this coin and bullion provided for the issuance of credits payable in gold certificates. It provided that all gold coin of the United States should be withdrawn from circulation and together with all other gold owned by the United States should be formed into bars. Authority was granted to the Secretary of the Treasury, with the approval of the President, to issue regulations under which gold might be acquired and used (*a*) for industrial, professional, and artistic use; (*b*) by the Federal Reserve banks for the purpose of settling international balances; and (*c*) for other purposes not inconsistent with the purposes of the act.[2] The Secretary of the Treasury was authorized to issue gold certificates against any gold held by the Treasurer of the United States, except the gold fund held as a reserve for any U.S. notes and Treasury notes of 1890. The Secretary of the Treasury in his discretion issues such gold certificates to the Federal Reserve banks and the amounts are credited to the Treasury balances with the Reserve banks in order to reimburse these balances for the Treasury's expenditures made in connection with acquisitions of gold. Under the act, gold certificates owned by the Federal Reserve banks may be redeemed at such times and in such amounts as, in the judgment of the Secretary of the Treasury, are necessary to maintain the equal purchasing power of every kind of currency of the United States.

Title III of the act of May 12, 1933, was amended by the Gold Reserve Act to authorize the President to set the gold content of the dollar at not more than 60 percent, and not less than 50 percent, of its previous amount. On January 31, 1934, the President set the gold content of the dollar at $15\frac{5}{21}$ grains of gold 0.900 fine. This constituted a reduction to 59.06 percent of the former gold content of the dollar, and was equivalent to a monetary value for gold of $35 per fine ounce.

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[2] The current regulations issued pursuant to this authority are set forth in the U.S. Treasury Department pamphlet "Provisional Regulations Issued Under the Gold Reserve Act of 1934 as Amended to April 15, 1942."

The President's power to alter further the gold content of the dollar terminated on June 30, 1943.

The act of June 19, 1934 (Silver Purchase Act), declared it to be the policy of the United States that the proportion of silver to gold in the monetary stocks of the United States be increased, with the ultimate objective of having and maintaining one-fourth of the monetary value of such stocks in silver.

Under powers given to the President by this act, an Executive order was issued on August 9, 1934, which required, with certain stipulated exemptions, of which newly mined silver was one, that all silver situated in the continental United States at the time be delivered to the U.S. mints within 90 days. The depositor received 50 cents per ounce of silver. This order, together with other Executive and Treasury orders regulating the holding, importing, and exporting of silver, was revoked on April 28, 1938.

Through the nationalization of domestic silver, the purchase of newly mined domestic silver at various prices fixed from time to time and applicable to all domestic producers, and by foreign purchases, the monetary value of silver monetary stocks was increased from $1,280 million on June 30, 1934, to $3,526 million on June 30, 1947. The ratio of silver to gold contemplated by the Silver Purchase Act has not been achieved, however, primarily because of the very rapid increase of the Government's gold stock prior to November 1941.

The act of July 12, 1943 (Green Act), authorized the President, through the Secretary of the Treasury, upon recommendation of the Chairman of the War Production Board, to sell or lease domestically any silver held or owned by the United States, provided that at all times the Treasury maintained the ownership and the possessions or control within the United States of an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates. The price to be paid for such silver was to be not less than 71.11 cents per fine ounce. This authority expired on December 31, 1945.

The act of July 31, 1946, authorized the Secretary of the Treasury, under such terms as he considers advisable, to sell or lease for manufacturing uses any silver held or owned by the United States—with the same provisions as to ownership and possession or control as noted above under the act of July 12, 1943—at a price of not less than 90.5 cents per fine ounce; on the day that this act became law the Secretary of the Treasury announced that sales would be made at a price of 91 cents per fine ounce.

PART II. HISTORY OF THE COINS

The act of April 2, 1792, established a mint, and authorized the following coins. Gold: eagles (each of the value of 10 units or dollars), half eagles, and quarter eagles; silver: dollars, half dollars, quarter dollars, dimes and half dimes; copper: cents and half cents. The weight and fineness of the coins were specified, and the weight of the smaller coins of each kind made exactly proportional to that of the larger. The mint was to strike into coins of the same metal, free of expense, all the gold or silver which any person brought to it. The fine content of gold and silver coins was to be alloyed with stated proportions of base metals.

Many changes in the laws governing coinage, and in the coins themselves, have been made since the original act, the principal ones being referred to in the following account of the various kinds of coins. (Since 1892, numerous issues of "commemorative" gold and silver coins have been made in small amounts, but they will not be discussed here.)[3]

Foreign coins

During the early years of the Republic, a considerable quantity of foreign coins circulated in the United States. These were made legal tender by the act of February 9, 1793, at rates proportional to their gold or silver content. Although this act was suspended for several years and was amended from time to time, final provision for the retirement of foreign coins from circulaion and repeal of their legal tender qualities was not made until the passage of the act of February 21, 1857.

Gold coins

As provided in the act of April 2, 1792, the eagle, of the value of $10, became the standard denomination of gold coin. Eagles and half eagles ($5) were first coined, followed by quarter eagles ($2.50). The eagle had a weight of 270 grains, 0.916⅔ fine, and so contained 247.5 grains of pure gold. The act of June 28, 1834, reduced the weight to 258 grains, 0.899225 fine, and so made the pure gold content

[3] See reports of the Director of the Mint, for additional information concerning "commemorative" issues.

232 grains. The act of January 18, 1837, changed the fineness to 0.900, without change in weight, which raised the pure gold content to 232.2 grains. Double eagles ($20), and $1 pieces were authorized by the act of March 3, 1849, and $3 pieces by the act of February 21, 1853. One-dollar and three-dollar pieces were discontinued by the act of September 26, 1890; quarter eagles were discontinued by the act of April 11, 1930.

Gold coins of the different denominations were of proportionate weight and the same fineness. All were legal tender in all payments when not below the standard weight and "limit of tolerance" prescribed by law, and when below such weight and tolerance were legal tender in proportion to their actual weight.

Gold bars, bearing the mint stamp as to weight and fineness, were available under certain conditions to the depositors of gold bullion or gold coin, and the gold monetary stock was largely held in the form of bars, which were a more convenient means than coin for reserve purposes and for settlement of international balances. The U.S. mints discontinued gold coinage after May 19, 1933; and after the passage of the Gold Reserve Act, January 30, 1934, existing stocks of gold coins wer3 acquired by the Treasury and formed into bars.

The total gold coinage of the mints of the United States since 1792 has been $4,526,218,477.50.

Standard silver dollars

The silver dollar was adopted in 1792 as one of the two monetary units of the United States, and its metal content was then fixed at 371.25 grains of pure, or 416 grains of standard silver (0.8924 fine). In 1837 the standard for both gold and silver coins was made 0.900 fine, and the weight of the silver dollar was fixed at 412.5 grains, its pure silver content remaining as originally provided at 371.25 grains. The weight and fineness have not since been changed.

A summary of the principal acts affecting the silver dollar, and the action taken under each, follows in chronological order:

Act of April 2, 1792, (1) authorized coinage of the silver dollar (of the value of Spanish milled dollar) against the deposit of silver and fixed its weight at 371 4/16 grains of pure silver or 416 grains of standard silver; (2) fixed the standard for silver coins as 1485/1664 (0.8924) fine; (3) fixed the coinage ratio of gold and silver as 1 to 15; (4) provided for free coinage; and (5) declared silver dollars (and all other coins authorized) lawful tender. Under this act, 1,440,517 silver dollars were coined, all for private account.

Act of June 28, 1834, changed the weight and fineness of the gold dollar, establishing the coinage ratio of gold and silver as 1 to 16.002.

Act of January 18, 1837, fixed the standard as 0.900 fine for both gold and silver coins, and changed the weight of the silver dollar to 412½ grains of standard silver (the fine content remaining fixed at 371.25 grains). The coinage ratio of gold and silver under the law was established as 1 to 15.988+. Under this act, 6,590,721 silver dollars were coined.

Act of February 12, 1873, revising the coinage laws, omitted provision for the coinage of the silver dollar and authorized coinage of the trade dollar.

Act of February 28, 1878 (Bland-Allison Act), restored coinage of the standard silver dollar (but only on Government account) of the weight of 412.5 grains of standard silver 0.900 fine (371.25 grains of pure silver) as provided in the act of January 18, 1837, and declared all such dollars (and all those previously coinded) to be legal tender except where otherwise expressly stipulated in the contract. The act also directed the Secretary of the Treasury to purchase each month, at the market price thereof, not less than $2 million nor more than $4 million worth of silver bullion and to coin the bullion so purchased into standard silver dollars. Under this act, 291,272,018.56 fine ounces of silver were purchased, at a cost of $308,279,260.71, and 378,166,793 standard silver sollars were coined.

Act of July 14, 1890 (Sherman Act), repealed the provisions of the act of February 28, 1878, which required the monthly purchase and coinage of silver bullion; and directed purchase of silver, to total 4,500,000 ounces of bullion per month at the market price thereof, not exceeding one dollar for 371.25 grains of pure silver, provided for its coinage into standard silver dollars, and authorized the issue of Treasury notes (called Treasury notes of 1890, see p. 18) in payment for the silver bullion purchased. Under this act, 168,674,682.53 fine ounces of silver were purchased, at a cost of $155,931,002.25 for which Treasury notes were issued. Of the silver purchased, 144,653,722.68 fine ounces, costing $134,192,285.02, were coined into 187,027,345 standard silver dollars. The balance was used for subsidiary silver coinage. (Of the silver dollars coined, 36,087,285 were coined before the repeal of the silver purchase authority by the act of November 1, 1893; 42,139,872 were coined between November 1, 1893 and June 12, 1898; and 108,800,188 were coined as directed by the act of June 13, 1898.)

Act of March 3, 1891 (also act of March 3, 1887), authorized coinage from trade dollar bullion and trade dollars then in the Treasury. Under these acts, 5,078,472 standard silver dollars were coined.

Act of November 1, 1893, repealed the purchasing clause of the act of July 14, 1890.

Act of June 13, 1898, directed coinage into standard silver dollars of all the remaining bullion in the Treasury purchased under the act of July 14, 1890.

Act of April 23, 1918 (Pittman Act), authorized the conversion of not exceeding 350 million standard silver dollars into bullion and its sale, or use for subsidiary silver coinage, and directed purchase of domestic silver for recoinage of a like number of dollars. Under this act, 270,232,722 standard silver dollars were converted into bullion (259,121,554 for sale to Great Britain at $1 per fine ounce, plus mint charges and 11,111,168 for subsidiary silver coinage), the equivalent of about 209 million fine ounces of silver. Between May 1920 and June 1923, under the act, the same quantity of silver was purchased from the output of American mines, at a fixed price of $1 per ounce, from which 270,232,722 standard silver dollars were recoined. Deliveries of a small amount of these purchases were not completed until July 1927; recoinage operations were not finished until April 1928. Silver certificates equal in amount to the standard silver dollars converted into bullion were withdrawn from circulation and replaced by Federal Reserve bank notes. (See p. 22.) Thereafter as silver was purchased under the act and coined into standard silver dollars, the Federal Reserve bank notes were replaced by silver certificates.

Act of May 12, 1933 (title III), included the first specific legislative provisions dealing with acquisitions of foreign silver by the Treasury. It authorized the acceptance, during the ensuing 6 months, of silver tendered by foreign governments in payment of indebtedness due to the U.S. Government within the 6-month period, the silver to be valued at not in excess of 50 cents per ounce. Silver certificates could be issued up to the total number of dollars for which silver was accepted in payment of debts; the silver so accepted could at the discretion of the Secretary of the Treasury be coined into standard silver dollars (and subsidiary coins) to meet redemption demands for silver certificates issued under this authority. This action was taken, in part, to bolster the price of silver which had fallen drastically in 1932.

From June 1923, when purchases of domestic silver to coin standard silver dollars under the Pittman Act were completed, until December 1933, no silver was purchased for this purpose (purchases of silver were made only for the purposes of subsidiary coinage). Title III of the act of May 12, 1933, provided the authority pursuant to which the President, in a series of proclamations beginning with that of December 21, 1933, and continuing until the passage of the act of July 6, 1939, directed the mints to accept all newly mined domestic silver tendered to them for coinage into silver dollars. Under the original proclamation 50 percent of the monetary value of the silver was to be deducted as seigniorage, etc., and since the monetary value was $1.29+ per fine ounce, depositors of newly mined silver received a return of 64.64+ cents per fine ounce. Under subsequent proclamations the deductions for seigniorage, etc., ranged from 40 percent of the silver received, to 50 percent, resulting in a return to depositors ranging from 77.57+ cents to 64.64+ cents per fine ounce.

Act of June 19, 1934 (Silver Purchase Act), authorized and directed the Secretary of the Treasury to purchase silver, with the objective of maintaining one-fourth of the monetary value of the monetary stocks of the United States in silver. Silver certificates were required to be issued up to at least the cost value, and might be issued up to the full monetary value of silver so purchased. The Secretary of the Treasury was given authority to coin standard silver dollars for the redemption of all silver certificates.

Under this act foreign silver and domestic silver could be purchased at a price not to exceed its monetary value ($1.29+ per fine ounce), except that the price paid for silver situated in the continental United States on May 1, 1934, could not exceed 50 cents per fine ounce.

Act of July 6, 1939, directed mints to receive for coinage into standard silver dollars any newly mined domestic silver mined subsequent to July 1, 1939, deducting 45 percent for seigniorage; thus the return to depositors of silver under this act was 71.11+ cents per fine ounce.

Act of July 31, 1946, amended the act of July 6, 1939, and provided for the acquisition of domestic silver mined after July 1, 1946, and tendered to any U.S. mint within 1 year after the month in which the ore from which it is derived was mined, deducting 30 percent for seigniorage instead of 45 percent. Hence, the return to the depositor provided in this act for newly mined domestic silver is 90.5+ cents per fine ounce.

From 1792 until 1873, when silver dollar coinage was temporarily discontinued, coinage of silver dollars was free for the account of the depositor of silver, and the mint price of silver was $1.29+ per fine ounce. Since the restoration of coinage in 1878, coinage of silver dollars has been for the account of the United States, and the difference between the cost of the silver and the face value of the dollars coined, termed seigniorage, has been covered into the Treasury as a miscellaneous receipt.

Silver dollars were made legal tender by the act of April 2, 1792, and their status in this respect remained unchanged until the act of February 28, 1878, which declared such dollars legal tender except where otherwise expressly stipulated in the contract. The exception was removed by the act of May 12, 1933, as amended by the joint resolution of June 5, 1933, referred to on page 3.

Trade dollars

The trade dollar was authorized by the act of February 12, 1873. Its weight was fixed at 420 grains of standard silver (378 grains of pure silver), and free coinage was provided. Trade dollars were intended for export to the Orient in exchange for goods. To make them acceptable as a substitute for the Mexican and Spanish silver dollars, they were made slightly heavier than standard U.S. silver dollars.

The trade dollar was originally made legal tender in the United States in sums not exceeding $5 (the same as subsidiary silver coin), but the legal tender quality was withdrawn by the joint resolution of July 22, 1876, and coinage was restricted to such amount as the Secretary of the Treasury should "deem sufficient to meet the export demand." The act of March 3, 1887, discontinued the coinage of trade dollars, provided for their retirement and ordered their recoinage into standard silver dollars or subsidiary silver coin. For 6 months after the passage of that act they were exchangeable dollar for dollar for standard silver dollars or subsidiary coin. The act of March 3, 1891, directed the Secretary of the Treasury to coin into standard silver dollars the trade dollar bullion and trade dollars then in the Treasury.

Trade dollars in the amount of 35,965,924 had been coined. Under the act of 1887, 7,689,036 were redeemed at face value, and from the resulting bullion $2,668,674.30 in subsidiary silver and 5,078,472 standard silver dollars were coined.

Fractional or subsidiary silver coins

The act of April 2, 1792, authorized silver coins for fractional parts of a dollar: half dollar, quarter dollar, dimes, and half dimes, each of the weight and with a silver content proportional to those of the silver dollar weighing 416 grains and containing 371.25 grains of pure silver. Coinage was free, and the coins were full legal tender when of standard weight, and if below, in proportion to their actual weight.

The act of January 18, 1837, fixed the standard for all coins as nine-tenths fine, and fixed the gross weight of the silver dollar at 412.5 grains and that of other silver coins in proportion thereto. The pure silver content was not changed. The fractional silver coins were made legal tender at their nominal value. A 3-cent silver coin of a lesser proportionate fine silver content was authorized by the act of March 3, 1851, which provided that the coin should be legal tender for the payment of all sums of 30 cents and under.

By the act of February 21, 1853, the gross weight and fine content of the fractional silver coins was reduced about 7 percent, the weight of the half dollar being fixed at 192 grains (the pure silver content at 172.8 grains, a reduction of 12.825 grains from the former standard), and the other silver coins were reduced in like proportion. Their legal tender quality was reduced to $5, and free coinage was discontinued. Accordingly, fractional silver coins became "subsidiary" silver coins, and they have since been coined only for Government account.

The act of February 12, 1873, raised slightly the gross weight and fine content of the subsidiary silver coins (the gross weight of the half dollar being fixed at 192.9 grains and that of the other coins in proportion), and fixed the denominations as 50-, 25-, and 10-cent pieces; the silver half dime and the 3-cent piece were discontinued. A silver 20-cent piece was introduced by the act of March 3, 1875, but was discontinued by the act of May 2, 1878. The act of January 14, 1875, in providing for the resumption of specie payments, authorized the coinage of silver coins of the denominations of 10, 25, and 50 cents, to be issued for the redemption of fractional paper currency.

The act of June 9, 1879, increased the legal tender quality of subsidiary silver to $10, and authorized the exchange of subsidiary silver coins for lawful money in sums of $20 or any multiple thereof. Whether the act of May 12, 1933, as amended by the joint resolution of June 5, 1933 (see p. 3), removed the $10 limitation on the legal tender quality of subsidiary silver has never been ruled upon by the courts.

Minor coins

Various minor coins have been authorized or changed from time to time since the act of April 2, 1792, which authorized a cent of 264, and a half-cent of 132, grains of copper. The copper content of these two coins was reduced pursuant to succeeding acts (in 1793 and 1795) and was fixed by the act of January 18, 1837, at 168 grains of copper for the cent and 84 grains for the half-cent. The act of February 21, 1857, discontinued these two coins, but provided for a cent, weighing 72 grains, and containing 88 percent copper and 12 percent nickel. A bronze cent (95 percent copper and 5 percent tin and zinc) was authorized by the act of April 22, 1864, which discontinued the cent containing nickel. The weight of the bronze cent was fixed at 48 grains; this composition and weight were incorporated in the Coinage Act of 1873. The act of April 22, 1864, also authorized a bronze 2-cent piece, of 96 grains, but this coin was discontinued by the Coinage Act of 1873.

A 5-cent piece, the well-known "nickel," was authorized by the act of May 16, 1866, and continued in the Coinage Act of 1873. Its weight was fixed at 77.16 grains (75 percent copper and 25 percent nickel). A 3-cent piece of nickel, weighing 30 grains, authorized in the act of March 3, 1865, was coined until discontinued by the act of September 26, 1890.

The act of February 12, 1873, made minor coins legal tender for amounts not exceeding 25 cents, and authorized their redemption in lawful money in sums of $20. The effect of the act of May 12, 1933, as amended by the joint resolution of June 5, 1933, on the 25-cent limit has not yet been the subject of court interpretation.

Production of a new wartime 1-cent coin was provided for in the act of December 18, 1942 (effective until December 31, 1946) in order to save strategic copper and tin for war uses. Production of a zinc-coated steel 1-cent piece was begun under this act in February 1943 and discontinued on December 31, 1943, after the passing of the acute phase of the copper stringency. On January 1, 1944, coinage of a modified copper alloy cent was begun. This coin is similar to the standard bronze cent except that it contains no tin.

The act of March 27, 1942 (effective until December 31, 1945) similarly authorized a change in the composition of the 5-cent piece. Production of the new coin, which was composed of 35 percent silver, 56 percent copper, and 9 percent manganese, was begun on October 1, 1942, and it was coined through December 31, 1945.

PART III. HISTORY OF THE PAPER CURRENCY

Bank notes before 1861

Before the Civil War, in addition to the gold and silver and minor coins issued by the United States (and, in the early years, foreign coins), notes issued by banks operating under Federal or State charters made up a large part of the currency supply of the country. There was no Federal paper currency, with the possible exception of certain Treasury notes (see below), and the States were prohibited by the Constitution from coining money or emitting bills of credit.

This period is roughly divided into two parts: (1) Before 1836, when the notes issued by the two banks established by Congress (first Bank of the United States 1791–1811, and second Bank of the United States 1816–36) made up a large part of the paper currency in circulation, and (2) after 1836, when the notes issued by banks operating under State charter constituted the chief form of paper currency. At the time of the closing of the first Bank of the United States in 1811, $5 million of its notes were outstanding. When the second Bank of the United States closed in 1836, its note liabilities totaled $23,100,000. Both banks had sufficient assets to redeem their note liabilities upon liquidation.

The bank note issues before the Civil War were generally redeemable by the bank of issue in legal tender coin upon demand, but provision in this respect was not always made by banks operating under State charter. The notes of many banks frequently circulated at a discount from their face value (a discount which was not uniform throughout the country or as between banks), and in some instances notes became worthless.

There were several occasions during this period when practically all the State chartered banks in the country suspended the redemption of notes in specie. On December 30, 1861, State chartered banks throughout the country suspended specie payment, and the U.S. Treasury likewise suspended specie payment on January 3, 1862.

Treasury notes

On several occasions between the War of 1812 and the Civil War, the Government made small issues of Treasury notes (in the years, 1812–15, 1837–43, 1846–47, 1857, 1860–61). Usually these issues were made in varying denominations ranging down to $50. In at least one instance (1815), the notes in denominations less than $100 did not bear interest, and usually the notes carried the right to be presented to the Government in payment of any debts owed the United States; the issues were transferable by delivery, or by delivery and assignment. Some of these Treasury notes appear to have been used as a circulating currency, but at no time was there any large volume of them in circulation.

Old demand notes

The first paper money issued by the Government of the United States consisted of noninterest-bearing Treasury notes issued under the acts of July 17 and August 5, 1861, which provided that the notes were to be payable on demand at certain designated subtreasuries; they became known as demand notes, and subsequently as old demand notes. They were receivable for all public dues, and their reissue was authorized, but not beyond December 31, 1862. The amount first authorized was $50 million, but an additional issue of $10 million was authorized by the act of February 12, 1862. All notes authorized were issued, together with reissues of $30,000. These notes were not legal tender when first issued, but were afterwards made so by act of March 17, 1862. The act of February 25, 1862, provided for the substitution of U.S. notes for demand notes, and the latter were therefore canceled when received by the Treasury after that date. By July 1, 1863, all except $3,350,000 of the demand notes had been retired, and nearly $3 million of the remainder were retired during the next fiscal year.

U.S. notes

The act of February 25, 1862, authorized the issue of $150 million of U.S. notes, not bearing interest and payable to bearer ($50 million of this issue being for the retirement of the old demand notes.) They were legal tender for all debts except duties on imports and interest on public debt and were popularly referred to as greenbacks, or legal tenders. A second issue of $150 million was authorized by the act of July 11, 1862, of which $50 million was a temporary issue to be held in reserve for the redemption of U.S. notes deposited with the Treasury as a "temporary loan" to the Government. A third issue also for $150 million was authorized by the joint resolution of January 17, 1863, and the act of March 3, 1863. The total amount authorized was $450 million, and the highest amount outstanding at any time was $449,338,902 on January 30, 1864.

The reduction from the original permanent issue of $400 million to the amount at present outstanding, $346,681,016 was brought about as follows: The act of April 12, 1866, provided that U.S. notes might be retired to the extent of $10 million during the ensuing 6 months, and that thereafter they might be retired at the rate of not more than $4 million per month. This authority remained in force until suspended by the act of February 4, 1868. The authorized amount of reduction during this period was about $70 million but the actual reduction was only about $44 million. No further change was made in the volume of U.S. notes outstanding until after the panic of 1873, when, in response to popular demand, the Government reissued $26 million of the canceled notes, bringing the amount outstanding to $382 million, where it remained until the act of January 14, 1875, provided for a reduction to $300 million. The process was again stopped by the act of May 31, 1878, which required the notes to be reissued when redeemed or received in the Treasury on any account, and the amount outstanding at that time $346,681,016, is still outstanding.

By the authorizing acts, U.S. notes were declared to be "lawful money and a legal tender" for all debts, public and private, except duties on imports and interest on the public debt. The act of June 17, 1930, authorized the acceptance of U.S. notes in payment of customs dues. The act of May 12, 1933, as amended by the joint resolution of June 5, 1933, (see p. 3) removed the remaining limitation on the legal tender quality of U.S. notes.

During the period of suspension of specie payments, January 3, 1862, to January 1, 1879, no provision was made for the redemption of U.S. notes in coin. The Credit-Strengthening Act of March 18, 1869, declared it to be the policy of the United States to provide for the redemption of U.S. notes in coin, and the Resumption Act of January 14, 1875, directed the Secretary of the Treasury to prepare and provide for such redemption in coin on and after January 1, 1879, and for that purpose authorized the use of surplus revenues and the sale of bonds authorized by the Refunding Act of July 14, 1870. In pursuance of this authority $95,500,000 of 4½ and 4 percent bonds were sold and the proceeds ($96 million in gold) were placed in the Treasury as a fund for such redemption. In time this fund became known as the gold reserve, and the Bank Act of July 12, 1882, provided for the suspension of the issuance of gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of U.S. notes fell below $100 million. The act of March 14, 1900, making further provision for the redemption of U.S. notes (and Treasury notes of 1890), required the Secretary of the Treasury to set up a reserve fund of $150 million in gold for the redemption of such notes, and prescribed means for the maintenance of such reserve fund.

The act of May 30, 1908, (Aldrich-Vreeland Act) directed that taxes received on national bank circulation secured otherwise than by U.S. bonds (i.e., issuable as temporary emergency currency) should be credited to the reserve fund held for the redemption of U.S. notes; the Federal Reserve Act of December 23, 1913, authorized application, in the discretion of the Secretary of the Treasury, to such gold reserve fund of the net earnings of Federal Reserve banks derived by the United States, and the act of March 4, 1923, made similar provision with respect to the net earnings derived by the United States from Federal intermediate credit banks. Through these means $6,039,430.93 gold was added to such gold reserve fund, making the aggregate of the fund $156,039,430.93.[4]

Since the adoption of the gold policy of 1933–34, which culminated in the Gold Reserve Act (Jan. 30, 1934), gold has been withdrawn from circulation. Under the Gold Reserve Act, no currency may be redeemed in gold except as permitted by regulation issued by the Secretary of the Treasury with the approval of the President. However, gold certificates owned by Federal Reserve banks may be redeemed at such times and in such amounts as, in the judgment of the Secretary of the Treasury, are necessary to maintain the equal purchasing power of every kind of currency of the United States. The act also provides that the reserve for U.S. notes and Treasury notes of 1890 shall be maintained in gold bullion.

Title III of the act of May 12, 1933, authorized the President, under certain circumstances, to direct the Secretary of the Treasury to cause to be issued additional U.S. notes in an aggregate amount of not exceeding $3 billion. This authority was never exercised by the President, and was terminated by the act of June 12, 1945.

Fractional currency

Following the suspension of specie payments in 1862, subsidiary silver coins largely disappeared from circulation. Their place for a time was supplied by the use of tickets, due bills, and other forms of private obligations, which were issued by merchants, manufacturers, and others whose business required them to "make change." Congress authorized, first, the use of postage stamps for change; second a modified form of postage stamp called postal currency; and, finally, fractional paper currency in denominations corresponding to the subsidiary silver coins. The amount of fractional paper currency authorized was $50 million and the highest amount outstanding at any one time was $49,102,660.27. The total amount issued was $368,720,079.45 (including reissues), the last issue being in 1876. This currency, which was popularly known as "shin-plaster" was issued in denominations of 3, 5, 10, 25, and 50 cents, corresponding to the denominations of token and subsidiary coins, and a small amount was issued in the denomination of 15 cents.

The acts of January 14, 1875, and April 17, 1876, provided for the redemption of fractional currency in fractional silver coins. On June 30, 1880, the amount of fractional currency outstanding had been reduced to $15,590,888.37. It was

[4] The act of Dec. 23, 1913, was amended by sec. 4 of the Banking Act of 1933 so that the net earnings of the Federal Reserve banks are paid into the surplus funds of the banks. The act of March 4, 1923, was amended by the act of May 19, 1932, so that the net earnings of the Federal intermediate credit banks were required to be placed in a reserve fund until the amount of the reserve equals 100 percent of the subscribed capital of the banks. The act of August 19, 1937, further amended the Mar. 4, 1923, act so that net earnings of Federal intermediate credit banks must be used to make up losses in excess of reserves against unforeseen losses and assets of doubtful value, to create and maintain these reserves, and to eliminate any impairment of paid-in surplus and capital, before any portion of these net earnings may be allocated to the United States.

then estimated that $8,375,934 of the fractional currency was lost to circulation, and accordingly, in stating the amount outstanding on June 30, 1880, the amount was reduced to $7,214,954.37. On December 31, 1920, on the basis of a new estimate, the amount stated as outstanding was reduced from $6,842,066.45 to $2 million. On the basis of these reductions and through redemptions, the amount stated as outstanding on June 30, 1947, was $1,968,322.47, which is carried as a part of the public debt outstanding bearing no interest.

Gold certificates

The act of March 3, 1863, authorized the Secretary of the Treasury to receive deposits of gold coin and bullion in sums of not less than $20 and to issue certificates therefor in denominations of not less than $20, the certificates to be receivable for duties on imports, and the gold deposited to be retained in the Treasury for the payment of the certificates on demand. The act also authorized the issuance of certificates representing coin in the Treasury in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, were not at any time to exceed 20 percent beyond the amount of coin and bullion in the Treasury. The first issue was made on November 13, 1865, and issuance was continued until December 1, 1878, when it was discontinued by order of the Secretary of the Treasury, prior to the resumption of specie payments. The issue of gold certificates was resumed pursuant to the act of July 12, 1882, which authorized and directed the Secretary of the Treasury to receive deposits of gold coin and issue certificates therefor, the certificates being made receivable for customs, taxes, and all public dues. This act also provided that "the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below $100 million."

The act of March 14, 1900, enacted provisions similar to those of the act of July 12, 1882, referring to gold certificates, and further provided that the Secretary of the Treasury might, in his discretion, suspend such issue whenever and so long as the aggregate amount of U.S. notes and silver certificates in the General Fund of the Treasury should exceed $60 million. The act of March 2, 1911, authorized the issue of gold certificates against the deposit of gold bullion or foreign gold coin at its bullion value, but limited the amount of gold bullion and foreign coin so held to one-third of the total amount of gold certificates outstanding, which was changed to two-thirds by the act of June 12, 1916. The act of December 24, 1919, made gold certificates legal tender for all debts, public and private.

Gold certificates were withdrawn from circulation along with gold coin and bullion in 1933. Since the act of January 30, 1934 (Gold Reserve Act) they have been issued only to Federal Reserve Banks, against an equal amount of gold bullion held by the Treasury.

Silver certificates

The act of February 28, 1878, directing the purchase of silver bullion and its coinage into standard silver dollars, authorized the issue of silver certificates in return for the deposit of silver dollars with the Treasurer of the United States. The act of March 14, 1900, authorized the issue of silver certificates against the silver dollars coined under the acts of July 14, 1890, and June 13, 1898, on the retirement of Treasury notes of 1890 (see below).

Silver certificates were receivable for customs, taxes, and all public dues, and when so receivable were reissuable. They were redeemable in standard silver dollars on demand. As long as national banks were permitted to keep legal reserves in their own vaults, these certificates could be held by them as lawful reserves. The act of May 12, 1933, as amended by the joint resolution of June 5, 1933, referred to on page 3, made silver certificates unlimited legal tender.

The act of June 19, 1934 (Silver Purchase Act) authorizing purchases of silver with the objective of maintaining one-fourth of the monetary value of the monetary stocks of the United States in silver, required the issuance of silver certificates equal in value to the cost of all silver purchases.

Treasury notes of 1890

The act of July 14, 1890 (Sherman Act), directed the Secretary of the Treasury to purchase each month 4,500,000 ounces of fine silver bullion at the market price, and to issue in payment therefor noninterest-bearing Treasury notes of the United States. These notes, termed "Treasury notes of 1890," were redeemable on demand in either gold or silver coin at the discretion of the Secretary of the Treasury, and were legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. It was provided that when the notes were redeemed or received for the public dues they might be reissued, but no greater or less amount of the notes should be "outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes." Under the act of May 12, 1933, as amended June 5, 1933, these notes became unlimited legal tender. The gold reserve fund, now amounting to $156,039,430.93, provided for by the act of March 14, 1900 and subsequent legislation (discussed above on pp. 15–16) serves as a reserve for the Treasury notes of 1890 as well as for the U.S. notes.

The authority for the purchase of silver under the Sherman Act was repealed by the act of November 1, 1893; up to that date 168,674,682.53 fine ounces of silver bullion had been purchased at a cost of $155,931,003, and Treasury notes of this amount had been issued. The act of March 14, 1900, directed the cancellation and retirement of Treasury notes, whenever received in the Treasury, to an amount equal to the coinage of standard silver dollars from the bullion purchased under the act of July 14, 1890. Prior to March 14, 1900, $69,161,002 of the notes had been canceled through redemption in standard silver dollars, and $85,623,022 have since been canceled, leaving $1,146,978 outstanding on June 30, 1947.

National bank notes

The act of June 3, 1864, originally known as the National Currency Act, and designated the "National Bank Act" in 1874 (superseding the original act of February 25, 1863), is the basic act for the national banking system. The act provided for the organization of national banking associations, commonly called national banks, and the issuance of circulating notes. Organizing banks were required, as a condition of charter, to transfer and deliver to the Treasurer of the United States an amount, determined by their capitalization, of U.S. interest-bearing registered bonds. On such transfer and delivery, the banks were entitled to receive from the Comptroller of the Currency circulating notes (in the form of demand promissory notes of the issuing bank) equal in amount to 90 percent of the current market value of the bonds deposited, but not exceeding 90 percent of their par value if bearing interest at a rate not less than 5 percent. Issues for each back were limited to an amount equal to the paid-in capital of the bank, and the total for all banks was limited to $300 million. The notes were receivable at par in payment of taxes, excises, public lands, and all other dues to the United States except duties on imports, and also for all salaries and other debts and demands owed by the United States to individuals, corporations, and associations within the United States, except interest on the public debt and the redemption of national currency (i.e., national bank notes). They were receivable by national banks for any debt or liability to such banks, and were required to be redeemed by the issuing bank, in lawful money, at the bank of issue and at designated agencies in enumerated redemption cities (after 1874 known as reserve cities). Taxation upon the average outstanding circulation of each national bank was imposed at the rate of one-half of 1 percent semiannually, and the same percentage reserve was required to be held against the outstanding notes as was required against deposits. Circulation could be retired only through return of the notes to the Treasury, except in the case of liquidating institutions which, after the lapse of 1 year, could deposit lawful money to cover the retirement of outstanding notes and recover the bonds held by the Treasurer of the United States.

Various and material amendments to the basic act have been made from time to time, beginning with the act of March 3, 1865.

The aggregate amount of circulating notes of all banks, which was apportioned according to population and banking requirements by the act of March 3, 1865, was increased from $300 million to $354 million by the act of July 12, 1870, and finally by the act of January 14, 1875, was freed from restrictions both as to total and as to apportionment. By the act of June 20, 1874, reserve requirements for notes were abolished in favor of a 5-percent redemption fund deposited with the Treasurer of the United States; this fund was also counted as part of the required reserve against deposits; and notes were made redeemable only at the bank of issue and the Treasury. Provision was made by the act of June 20, 1874 (and by amendments approved July 12, 1882, July 14, 1890, and March 4, 1907), for the retirement of circulation of active banks upon the deposit of lawful money with the Treasurer of the United States. The act of July 14, 1890, provided for covering such deposits into the general fund as miscellaneous receipts. By the act of March 14, 1900, the tax on circulation secured by 2-percent bonds was fixed at one-fourth of 1 percent semiannually. Capital requirements for organization of national banks were lowered, and the amount of issuable circulation was increased from 90 percent of par to the full par value, but not exceeding the market value, of the bonds deposited.

The act of May 30, 1908 (Aldrich-Vreeland Act), amended the National Bank Act by providing for the issuance, as an emergency currency, of additional circulation of national banks secured otherwise than by the deposit of U.S. bonds. Methods and conditions of issue were set forth in the act and the additional circulation was authorized to be issued only at such times and under such conditions as in the judgment of the Secretary of the Treasury an increase in the national bank circulation was warranted. The act of May 30, 1908, would have expired by limitation on June 30, 1914, but was amended and extended 1 year by the Federal Reserve Act of December 23, 1913. The act was further amended on August 4, 1914, and, to meet an emergency then present, immediate steps were taken for the organization of all national banks into 45 national currency associations, through which additional circulation to a total amount of $381,592,145 was issued to national banks. The Aldrich-Vreeland Act expired by limitation on June 30, 1915; prior to that date deposits of lawful money had been made to cover the additional circulation issued, and the retirement of the notes proceeded in regular course. Meanwhile, the Federal Reserve banks had been organized, and Federal Reserve notes were available to meet the currency requirements of the country.

Even before the enactment of the Federal Reserve Act, the Congress by various acts had taken occasion not to increase the amount of outstanding U.S. bonds which might be used as security for the issuance of national bank notes. The Panama Canal loan bonds, issued in 1906–08, carrying 2 percent interest, were the last bonds issued bearing the circulation privilege (see act of July 22, 1932, below). The act of June 25, 1910, which authorized the issue of postal savings bonds, provided that such bonds should not be receivable by the Treasurer of the United States as security for the issue of circulating notes by national banking associations. In each subsequent act authorizing bonds, similar provision has been made.

The Federal Reserve Act, approved December 23, 1913, provided that national banks thereafter organized should not be required to deposit U.S. bonds as a condition precedent to being authorized to begin business, although banks organized after that date might be banks of issue in accordance with previously existing law. The Federal Reserve Act further provided that after 2 years from its passage and for 20 years thereafter any member bank desiring to retire the whole or any part of its circulation might file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, U.S. bonds securing the circulation to be retired. Provision also was made for the purchase by the Federal Reserve banks of the bonds offered for sale by the national banks, the purchase money to be deposited in the Treasury for the redemption of the circulation to be retired. The Federal Reserve banks purchasing the bonds would thereby acquire bonds against which Federal Reserve bank notes might be issued. They could, however, convert any 2 percent bonds against which no circulation was outstanding into securities not bearing the circulation privilege. At that time (December 31, 1913) the outstanding bonds available for deposit as security for the issuance of national bank notes were as follows:

2 percent Consols of 1930	$646, 250, 150
2 percent Panama Canal loans of 1916–36 and 1918–38	84, 631, 980
3 percent Loan of 1908–18	63, 945, 460
4 percent Loan of 1925	118, 489, 900
Total	913, 317, 490

Of these bonds, $743,066,500 were then being held to secure circulation.

Under these provisions of the Federal Reserve Act, $56,256,500 of the 2 percent bonds were converted into securities not bearing the circulation privilege. The 3-percent bonds of 1908–18 were paid at maturity August 1, 1918, and the 4-percent bonds of 1925 were called for redemption February 2, 1925. This left the 2-percent bonds, which were outstanding in the amount of $674,625,630, as the only bonds available as security for national bank notes. As an emergency measure, the act of July 22, 1932, attached the circulation privilege with respect to national and Federal Reserve bank notes for a 3-year period to all outstanding U.S. bonds bearing interest at a rate not exceeding 3⅜ percent per annum.

The act of May 12, 1933, as amended by the joint resolution of June 5, 1933, provided that all coins and currencies of the United States should be legal tender for the payment of all debts, public and private.

The 2-percent Consols of 1930 were called for redemption July 1, 1935; the 2 percent Panama Canal loan bonds of 1916–36 and 1918–38 were called for redemption August 1, 1935; the circulation privilege granted by the act of July 22, 1932, expired July 22, 1935. As the bonds which were deposited as collateral for national bank notes were called or otherwise became unavailable, national banks deposited lawful money to retire the circulation so secured, thereby ending their liability for national bank notes and transferring it to the United States. Some national bank notes are still outstanding, but when unfit for further circulation they are canceled and retired on receipt at the Treasury.

Federal Reserve bank notes

The Federal Reserve Act (December 23, 1913) authorized the issuance of circulating notes by Federal Reserve banks against the deposit of U.S. bonds, the notes to be of the same tenor and effect as national bank notes then provided by law, and to be issued and redeemed under the same terms and conditions as national bank notes, except that the amount issuable was not limited to the capital stock of the issuing Federal Reserve bank. The original purpose of these provisions was to prevent a currency stringency resulting from the withdrawal of any national bank notes which might be retired in accordance with the provisions of the Federal Reserve Act detailed in the preceding section. The designation "national currency" was carried over to Federal Reserve bank notes together with other characteristics of national bank notes. The first issue was made in February 1916, and additional issues were made from time to time until the high point of these early issues was reached at the end of October 1917, when there were $12,970,425 outstanding.

The act of April 23, 1918 (Pittman Act, see p. 8) provided for the issuance of Federal Reserve bank notes in place of silver certificates retired, and, as security, authorized the use of certificates of indebtedness, a special series of which was made available The highest amount of Federal Reserve bank notes in circulation at the beginning of any month during this period was $236,597,570 on January 1, 1921. Following the restoration to circulation of the silver certificates withdrawn from circulation under the Pittman Act, appropriate steps were taken for the retirement of the outstanding Federal Reserve bank notes.

By the end of 1922, the Federal Reserve banks had ended their liability on these issues of Federal Reserve bank notes in accordance with the provisions of the law, by the deposit with the Treasurer of the United States of lawful money to the amount of those notes then outstanding, and the greater part of the notes were gradually retired from circulation.

Federal Reserve bank notes were again issued during the emergency period in 1933 and 1934, under conditions prescribed by additional acts of Congress.

The act of July 22, 1932 (see p. 21) temporarily increased the available collateral for Federal Reserve bank notes.

The act of March 9, 1933 (Emergency Banking Act), authorized the issuance of Federal Reserve bank notes upon the security of any direct obligation of the United States, or eligible commercial paper. Federal Reserve bank notes could be issued equal to 100 percent of the face value of the U.S. bonds, or 90 percent of the estimated value of the commercial paper used as collateral. By the end of December 1933, the amount of Federal Reserve bank notes in circulation had reached a peak for that period of $208,191,000. Subsequently, in accordance with the provisions of the law, the issuing banks deposited lawful money with the Treasurer of the United States and their collateral was returned to them. Since March 1935, all of these notes have been liabilities of the Treasury and in process of retirement.

The act of May 12, 1933, as amended by the joint resolution of June 5, 1933, provided that all coins and currencies of the United States should be legal tender for the payment of all debts, public and private.

In December 1942, in order to conserve labor and materials, the Board of Governors of the Federal Reserve System, after consultation with the Treasury Department, authorized the Federal Reserve banks to issue the unused portion of the stock of Federal Reserve bank notes printed in 1933 and 1934, approximately $660 million. Lawful money has been deposited for the retirement of these notes, and they will be withdrawn from circulation as soon as they are returned to the Treasury unfit for use.

Authority for the issuance of Federal Reserve bank notes against any direct obligations of the United States not bearing the circulation privilege or against eligible commercial paper, was repealed by an act of June 12, 1945. As previously noted, no interest-bearing securities carrying the circulation privilege have been outstanding since August 1, 1935; so, in effect, all authority to issue Federal Reserve bank notes ended with the act of 1945.

Federal Reserve notes

The Federal Reserve Act (December 23, 1913), authorized a new type of currency, to be known as Federal Reserve notes, and to be issued at the discretion of the Federal Reserve Board,[5] by the several Federal Reserve banks which were established by the same act. Federal Reserve notes are obligations of the United States and are first liens on all assets of the issuing Federal Reserve bank. The original Federal Reserve Act provided that they should be receivable by all member banks and Federal Reserve banks and for all public dues. The act of May 12, 1933, as amended by the joint resolution of June 5, 1933, made them full legal tender for all debts, public and private. The Federal Reserve Act originally provided that Federal Reserve notes were redeemable in gold at the U.S. Treasury, or in gold or lawful money at a Federal Reserve bank. The Gold Reserve Act of 1934 provided that they should be redeemed only in lawful money.

Federal Reserve notes are furnished to the Federal Reserve banks through the Bureau of the Comptroller of the Currency, under the supervision of the Board of Governors of the Federal Reserve System. Any Federal Reserve bank desiring additional Federal Reserve notes makes application to the Federal Reserve agent for its district (who is a representative of the Board of Governors) for the amount of such notes that it may require, and accompanies the application with a tender of collateral in an amount equal to the amount of notes applied for. The collateral, as authorized by the act of 1913, was to consist of promissory notes and bills of exchange accepted for rediscount by the Federal Reserve banks. An amendment to the act, on September 7, 1916, provided that the collateral might consist of "notes, drafts, bills of exchange, or acceptances rediscounted" or bills of exchange or bankers' acceptances purchased in the open market. An act of June 21, 1917, added to this list of acceptable collateral "gold or gold certificates" and permitted such gold or gold certificates to be counted also as part of the required reserve against Federal Reserve notes. By an amendment of February 27, 1932, direct obligations of the United States were also made acceptable as collateral for Federal Reserve notes until March 3, 1933. This authority was extended in successive acts of Congress for short periods of time, and was made a permanent part of the law by the act of June 12, 1945.

Each Federal Reserve bank was originally required to maintain a reserve in gold of not less than 40 percent against its Federal Reserve notes in actual circulation. A part of the gold reserve, equal to not less than 5 percent of the notes outstanding less the amount of gold certificates held by the Federal Reserve agent as collateral, was required to be held at the U.S. Treasury as a gold redemption fund against Federal Reserve notes. No Federal Reserve bank is permitted to pay out notes issued by another bank (under penalty of a tax) and notes of one bank received by another are returned to the issuing bank. The act of January 30, 1934 (Gold Reserve Act), vested title to all gold of the Federal Reserve banks in the United States and amended the Federal Reserve Act to substitute gold certificates for gold in the prescribed reserves and in the redemption fund. The act of June 12, 1945, reduced the gold certificate reserve requirement from 40 to 25 percent of Federal Reserve notes in actual circulation.

The first issue of Federal Reserve notes was made on November 16, 1914, the day the Federal Reserve banks were formally opened.

PART IV. DESCRIPTION OF THE MONEY OF THE UNITED STATES, JUNE 30, 1947

The net amount of each kind of U.S. money, the amount of each kind held in the Treasury and by the Federal Reserve banks and agents, and the amount of each kind in circulation on June 30, 1947, are shown in the circulation statement of U.S. money for that date, a copy of which is attached to this statement.

Under the act of May 12, 1933, as amended by the joint resolution of June 5, 1933, all coins and currencies of the United States are legal tender for the payment of all debts, public and private.

Gold and silver monetary stocks

The gold monetary stock, which is held subject to the order of the Treasurer of the United States in the form of bars stored, for the most part, at the mints and assay offices and at the depository at Fort Knox, Ky., is largely held as security for gold certificates issued or issuable to Federal Reserve banks, as reserve for U.S. notes and Treasury notes of 1890, for the exchange stabilization fund,

[5] Now the Board of Governors of the Federal Reserve System.

and as free gold in the general fund of the Treasury.[6] The gold assets and liabilities are shown in the circulation statement of U.S. money and in the daily statement of the U.S. Treasury (a copy of which is also attached).

The silver monetary stock consists of (1) standard silver dollars, (2) silver bullion held in the Treasury at its monetary value as security for outstanding silver certificates, (3) subsidiary silver coin, and (4) other silver bullion held in the Treasury at cost value or at recoinage value. All the items are shown on the daily statement of the U.S. Treasury and all except the last enter into the monetary circulation and appear in the circulation statement of U.S. money.

Coins

The coins currently issued by the United States are standard silver dollars, subsidiary silver coins in denominations of 50 cents (half dollar), 25 cents (quarter dollar), and 10 cents (dime), and minor coins in denominations of 5 cents (nickel) and 1 cent (penny). Standard silver dollars are coined in such amounts as may be required to provide for the redemption of silver certificates in that form of payment. Subsidiary silver and minor coins are coined in such amounts as the business of the country may require. Special wartime 5-cent and 1-cent coins were authorized in order to conserve strategic metals. Gold coins are no longer coined or paid out by the United States.

The table below shows the metal content and the gross weight of each coin as now issued.

Kind and denomination	Metal content (grains)			Gross weight (grains)
	Silver	Copper	Nickel	
Silver: [1]				
Standard dollar	371.25	41.25		412.50
Half dollar	173.61	19.29		192.90
Quarter dollar	86.805	9.645		96.45
Dime	34.722	3,858		38.58
Minor coins:				
5 cents [2]		57.87	19.29	77.16
1 cent [1]		45.60	[4] 2.40	48.00

[1] Silver coins contain 900 parts of pure silver and 100 parts of copper alloy.
[2] 75 percent copper, 25 percent nickel.
[3] 95 percent copper, 5 percent tin and zinc.
[4] Tin and zinc.

All coins of the United States are struck (i.e., manufactured or coined) at the U.S. mints. The Philadelphia Mint was established in 1793, the San Francisco Mint in 1854, and the Denver Mint in 1906. These three mints have continued in operation up to the present time. Other mints have been established and discontinued as follows: New Orleans, La., 1838–61 and 1879–1909; Carson City, Nev., 1870–93; Charlotte, N.C., 1838–61; Dahlonega, Ga., 1838–61.

Troy weights are used (480 grains to an ounce), and while metric weights are by law assigned to the half dollar and quarter dollar and dime, troy weights still continue to be employed, 15.432 grains being considered as the equivalent of a gram as provided by the act of July 28, 1866.

Silver bullion containing 900 parts of pure silver and 100 parts of copper alloy is used for silver coins. The coinage value in standard silver dollars of an ounce of pure silver is \$1.2929+, and of an ounce of silver bullion is \$1.1636+. The coinage value in subsidiary silver coins of an ounce of pure silver is \$1.3824+ and of an ounce of silver bullion is \$1.2442+. The weight of \$1,000 in standard silver dollars is 859.375 troy ounces, equivalent to 58.92 pounds avoirdupois, and the weight of \$1,000 in subsidiary silver coin is 803.75 ounces, equivalent to 55.11 pounds avoirdupois.

The following devices and legends are placed on the coins of the United States currently issued: On the obverse, an impression emblematic of liberty with the inscriptions "Liberty" and "In God We Trust", and the year of coinage; on the

[6] Section 5 of the Gold Reserve Act provides that: "No gold shall hereafter be coined, and no gold coin shall hereafter be paid out or delivered by the United States: *Provided, however*, That coinage may continue to be executed by the mints of the United States for foreign countries in accordance with the act of January 29, 1874 (United States Code, title 31, sec. 367). All gold coin of the United States shall be withdrawn from circulation, and, together with all other gold owned by the United States, shall be formed into bars of such weights and degrees of fineness as the Secretary of the Treasury may direct."

reverse, the figure or representation of an eagle (omitted on the 10-, 5-, and 1-cent pieces), with the inscriptions "United States of America" and "E Pluribus Unum," and a designation of the value of the coin. The designs of any coin may not be changed oftener than once in 25 years without the approval of Congress; but from time to time commemorative coins have been authorized, which may have special features of design.

Paper currency

The paper currency now issued includes gold certificates (issued only to Federal Reserve banks), silver certificates and U.S. notes, all issued by the Treasury; and Federal Reserve notes issued by the Federal Reserve banks under Government auspices. Former issues of Treasury notes of 1890 and gold certificates which remain outstanding appear in the money circulation figures; but these kinds of currency are canceled and retired on receipt in the Treasury. Federal Reserve bank notes and national bank notes are also in process of retirement; but these will continue in circulation until they are unfit for use. Outstanding old demand notes and fractional currency have been dropped from the circulation figures, but appear on the public debt statements as items of debt bearing no interest.

Gold certificates, series of 1934, in denominations of $100, $1,000, $10,000, and $100,000, are issued only to Federal Reserve banks against certain credits established with the Treasurer of the United States. These certificates are not paid out by Federal Reserve banks, and do not appear in circulation. Gold certificates represent the deposit of gold in the Treasury, and bear on their face the wording: "This is to certify that there is on deposit in the Treasury of the United States of America * * * dollars in gold, payable to bearer on demand as authorized by law."

Silver certificates, in denominations of $1, $5, and $10, are issued by the Treasurer of the United States against any standard silver dollars, silver, or silver bullion held in the Treasury against which silver certificates are not already outstanding. When received in the Treasury on any account (except for redemption in standard silver dollars) they may be reissued.

U.S. notes, received on any account by the Treasurer of the United States, are required by the act of May 31, 1878, to be reissued. The notes are reissued in denominations of $2 and $5 and the amount outstanding is maintained at $346,681,016. A reserve in gold of $156,039,430.93 is held in the Treasury against these notes and Treasury notes of 1890.

Federal Reserve notes are issued and retired with the varying requirements of the country for currency. They are issued in denominations of $5, $10, $20 $50, $100, $500, $1,000, $5,000, and $10,000. The printing of Federal Reserve notes in denominations of $500 and larger was discontinued by action of the Board of Governors of the Federal Reserve System on June 26, 1946, but notes of these denominations will continue to be paid out by the Federal Reserve banks as long as existing stocks last. Federal Reserve notes are obligations of the United States and are secured by the deposit with Federal Reserve agents of a like amount of collateral consisting of gold certificates or gold certificate credits with the Treasurer of the United States, such discounted or purchased paper as is eligible under the terms of the Federal Reserve Act, as amended, and direct obligations of the United States. Federal Reserve banks must maintain a reserve in gold certificates or gold certificate credits equal to at least 25 percent of these notes in actual circulation, including in this reserve the redemption fund (equal to not less than 5 percent of the notes outstanding less the amount of gold certificates held by the Federal Reserve agent as collateral) which must be deposited with the Treasurer of the United States and any gold certificates or gold certificate credits held as collateral for Federal Reserve notes. On June 30, 1947, $24,780,494,655 of Federal Reserve notes were outstanding, of which $23,999,004,455 were in circulation. The collateral behind these notes consisted of $33,762,000 in eligible paper, $13,571,498,000 in U.S. Government securities, and $11,998 million in gold certificates and gold certificate credits with the Treasurer of the United States, the total collateral being $25,603,260,000. As the total money in circulation on June 30, 1947, was $28,297,227,423, Federal Reserve notes made up 85 percent of the total.

Production.—All paper currency of the United States, including Federal Reserve notes, is produced at the Bureau of Engraving and Printing of the U.S. Treasury. A special distinctive paper prescribed by the Secretary of the Treasury, is used, and currency is printed 12 subjects to a sheet, but the subjects are separated and the currency is delivered as separate bills. The currency is printed, faces and backs, from engraved plates, by the wet intaglio process. To meet the requirements for currency during the fiscal year 1947, the Bureau of Engraving and Printing delivered 1,353,060,000 pieces of currency of a face amount of $5,133,660,000.

Reduced size currency, new series.—New designs for all the paper currency issues and reduction in size were made effective in 1929. The small-size currency is termed "new series"; the former large-size currency "old series." The validity of the old series currency outstanding in circulation is not affected by the issue of the new series. Old series currency, of which only a relatively small amount remains outstanding, is canceled and retired when received by the Treasury or the Federal Reserve banks.

The issue of the new series (reduced size) currency commenced in July 1929. On June 30 of that year there was outstanding $4,997,840,176 of the old series currency, and there remained outstanding on June 30, 1947, $163,375,923, or about 3 percent of the amount outstanding when its retirement commenced.

For the new series currency the principle of denominational design was strictly followed. The back designs are uniform for each denomination irrespective of kind, and are uniformly printed in green (yellow for gold certificates, series of 1934). The face designs are characteristic for each denomination as regards the important protective features, with only sufficient variation in detail to indicate the kind; they are printed uniformly in black, but with different colored seals for the different kinds. Certain special wartime variations which were introduced in the matter of currency design are described below.

The portraits assigned to the faces and the embellishments provided for the backs of the several denominations, the denominations in which each of the six kinds have been issued, and the color of the Treasury seal on each kind are as follows:

Denomination	Portrait (on face)	Embellishment (on back)
$1	Washington	Great Seal of the United States.[1]
$2	Jefferson	Monticello.
$5	Lincoln	Lincoln Memorial.
$10	Hamilton	U.S. Treasury.
$20	Jackson	White House.
$50	Grant	U.S. Capitol.
$100	Franklin	Independence Hall.
$500	McKinley	Ornate denominational marking.
$1,000	Cleveland	Do.
$5,000	Madison	Do.
$10,000	Chase	Do.
$100,000	Wilson	Do.

Kind of money	Seal	Denominations
Silver certificates	Blue	$1, $5, $10.
U.S. notes	Red	$2, $5,
Gold certificates	Yellow	$100, $1,000, $10,000, $100,000.[2]
Federal Reserve notes	Green	$5, $10, $20, $50, $100, $500, $1.000. $5,000, $10,000.[3]
Federal Reserve bank notes and national bank notes.	Brown	$5, $10, $20, $50, $100.[4]

[1] Present back adopted in 1935. Former back: Ornate denominational marking.
[2] All series 1934. Prior series. discontinued in 1933. was issued in denominations of $10. $20. $50. $100. $500. $1.000. $5.000. $10.000.
[3] Printing of denominations of $500 and over has been discontinued. but notes of these denominations will continue to be paid out as long as existing stocks last.
[4] All now in process of retirement.

Special wartime currencies

Hawaiian series.—In July 1942, as a step toward the complete economic defense of Hawaii, a special Hawaiian dollar currency was introduced. This currency consisted of U.S. silver certificates and Federal Reserve notes bearing the distinctive overprint "Hawaii" in bold open-faced type on each end of the face of the note and the word "Hawaii" in large open-faced type across the reverse side of the note. After August 15, 1942, no currency other than U.S. currency, Hawaiian series, could be held or used in Hawaii without a license from the Governor of the Territory of Hawaii. On the other hand, in order to effectuate the purposes of its issuance, the U.S. currency, Hawaiian series, was kept from circulating on the mainland of the United States by virtue of a prohibition of its export from Hawaii.

On February 9, 1944, it was announced that the special Hawaiian series of currency had been taken by the Armed Forces of the United States into Central Pacific strongholds from which the Japanese had been driven. This step was taken to facilitate identification of the currency being used in combat areas and to make easier the isolation of this particular currency in the event that it should fall into enemy hands.

On October 21, 1944, it was announced that the economic controls in the Hawaiian Islands, of which the issuance of Hawaiian series currency was a part, were terminated and while further issues of the Hawaiian series notes are not being made, the outstanding notes of this series circulate in the same manner as other U.S. currency both in Hawaii and on the mainland.

Yellow seal.—In November 1942, at the request of the War Department, the Treasury Department furnished to the War Department a special series of U.S. currency for use of the American military forces in North Africa. This currency consisted of silver certificates, in the usual denominations of $1, $5, and $10, but bearing a yellow seal in place of the customary blue one. One purpose of the special series of currency was to prevent the use in North Africa of U.S. money which the Axis might have seized in occupied areas.

OFFICE OF THE SECRETARY OF THE TREASURY

Daily Statement of the United States Treasury

COMPILED FROM LATEST PROVED REPORTS FROM TREASURY OFFICES AND DEPOSITARIES

JUNE 30, 1947
(Excerpt)

CURRENT ASSETS AND LIABILITIES

GOLD

ASSETS		LIABILITIES	
Gold (oz. 607,610,088.3)	$21, 266, 353, 091. 88	Gold certificates:	
		Outstanding (outside of Treasury)	$2, 863, 266, 359. 09
		Gold certificate fund—Board of Governors, Federal Reserve System	16, 513, 733, 546. 94
		Redemption fund—Federal Reserve notes	709, 924, 021. 92
		Gold reserve	156, 039, 430. 93
		NOTE.—Reserve against $346,681,016 of United States notes and $1,135,278 of Treasury notes of 1890 outstanding. Treasury notes of 1890 are also secured by silver dollars in the Treasury.	
			20, 242, 963, 358. 79
		Gold in general fund	1, 023, 389, 733. 09
Total	21, 266, 353, 091. 88	Total	21, 266, 353, 091. 88

SILVER

ASSETS		LIABILITIES	
Silver (oz. 1,488,026,374.5 a)	$1, 923, 912, 883. 91	Silver certificates outstanding	$2, 230, 779, 033. 00
Silver dollars (oz. 264,485,964.3)	341, 961, 650. 00	Treasury notes of 1890 outstanding	1, 135, 278. 00
		Silver in general fund	33, 960, 222. 91
Total	2, 265, 874, 533. 91	Total	2, 265, 874, 533. 91

GENERAL FUND

ASSETS		LIABILITIES	
Gold (as above)	$1, 023, 389, 733. 09	Treasurer's checks outstanding	$23, 717, 011. 20
Silver:		Deposits of Government officers:	
At monetary value (as above)	33, 960, 222. 91	Post Office Department	39, 818, 108. 50
Subsidiary coin (oz. 14,663,849.8)	20, 270, 734. 82	Board of trustees, Postal Savings System:	
Bullion:		5-percent reserve, lawful money	170, 000, 000. 00
At recoinage value (oz. 11,363.9)	15, 709. 62	Other deposits	28, 207, 619. 52
At cost value (oz. 189,389,489.3 a)	91, 876, 629. 03	Postmasters' disbursing accounts, etc.	139, 371, 042. 85
Minor coin	10, 929, 480. 43	Uncollected items, exchanges, etc	20, 453, 420. 07
United States notes	3, 041, 321. 00		
Federal Reserve notes	70, 912, 805. 00		421, 567, 202. 14
Federal Reserve bank notes	522, 602. 00		
National bank notes	266, 615. 00		
Unclassified—Collections, etc	61, 998, 196. 67		
Deposits in:			
Federal Reserve banks	1, 202, 306, 369. 19		
Special depositaries account of sales of Government securities	962, 279, 000. 00		
National and other bank depositaries	215, 041, 941. 81		
Foreign depositaries	13, 877, 697. 91		
Philippine treasury	19, 015, 073. 02	Balance	3, 308, 136, 929. 36
Total	3, 729, 704, 131. 50	Total	3, 729, 704, 131. 50

a 812,471,763.9 ounces of these items of silver are held by the Office of Defense Plants of the Reconstruction Finance Corporation, etc.

CIRCULATION STATEMENT OF UNITED STATES MONEY—JUNE 30, 1947

KIND OF MONEY	TOTAL AMOUNT	MONEY HELD IN THE TREASURY					MONEY OUTSIDE OF THE TREASURY				POPULATION OF CONTINENTAL UNITED STATES (ESTIMATED)
		Total	Amount held as security against Gold and Silver Certificates (and Treasury Notes of 1890)	Reserve against United States Notes (and Treasury Notes of 1890)	Held for Federal Reserve Banks and Agents	All other money	Total	Held by Federal Reserve Banks and Agents	In Circulation [f]		
									Amount	Per capita	
Gold	[a]$21, 266, 490, 450	$21, 266, 490, 450	$20, 086, 896, 408	$156, 039, 431		$1, 023, 554, 611					
Gold Certificates	[b](20, 086, 896, 408)	[b](17, 223, 657, 569)			[b][c]$(17,223,657,569)		$2, 863, 238, 839	$2, 815, 444, 500	$47, 794, 339	$0. 33	
Standard Silver Dollars	493, 462, 387	341, 951, 650	308, 071, 153			33, 880, 497	151, 510, 737	3, 059, 026	148, 451, 711	1. 03	
Silver Bullion	1, 923, 912, 884	1, 923, 912, 884	1, 923, 912, 884								
Silver Certificates	[b](2, 230, 837, 059)						2, 230, 837, 059	170, 108, 953	2, 060, 728, 106	14. 31	
Treasury Notes of 1890	[b](1, 146, 978)						1, 146, 978		1, 146, 978	. 01	
Subsidiary Silver	922, 656, 000	19, 835, 735				19, 835, 735	902, 820, 265	26, 848, 889	875, 971, 376	6. 08	
Minor Coin	348, 889, 000	10, 769, 480				10, 769, 480	338, 119, 520	7, 080, 902	331, 038, 618	2. 30	
United States Notes	346, 681, 016	2, 985, 121				2, 985, 121	343, 695, 895	23, 293, 363	320, 402, 532	2. 22	
Federal Reserve Notes	24, 780, 494, 655	66, 614, 585				66, 614, 585	24, 713, 880, 070	714, 875, 615	23, 999, 004, 455	166. 58	
Federal Reserve Bank Notes	409, 413, 011	525, 153				525, 153	408, 917, 858	2, 657, 840	406, 260, 018	2. 82	
National Bank Notes	107, 322, 550	268, 210				268, 210	107, 054, 340	625, 050	106, 429, 290	. 74	
Total June 30, 1947	50, 599, 351, 953	23, 633, 353, 268	22, 318, 880, 445	156, 039, 431	[b](17,223,657,569)	[d]1, 158, 433, 392	[e]32, 061, 221, 561	3, 763, 994, 138	28, 297, 227, 423	196. 42	144, 066, 000
Comparative totals: May 31, 1947	$50, 195, 911, 738	$23, 307, 126, 298	$21, 976, 920, 485	$156, 039, 431	$16, 873, 287, 674	$1, 174, 166, 382	$31, 992, 418, 251	$3, 731, 717, 027	$28, 260, 701, 224	$196. 49	143, 829, 000
June 30, 1946	49, 648, 010, 839	22, 649, 365, 413	20, 397, 885, 216	156, 039, 431	15, 287, 592, 358	2, 095, 440, 766	32, 108, 938, 284	3, 863, 941, 172	28, 244, 997, 112	*200. 00	*141, 224, 000
October 31, 1920	8, 479, 620, 824	2, 436, 864, 530	718, 674, 378	152, 979, 026	1, 212, 360, 791	352, 850, 336	6, 761, 430, 672	1, 063, 216, 060	5, 698, 214, 612	53. 18	107, 158, 000
March 31, 1917	5, 396, 596, 677	2, 952, 020, 313	2, 681, 691, 072	152, 979, 026		117, 350, 216	5, 126, 267, 436	953, 321, 522	4, 172, 945, 914	40. 49	103, 052, 000
June 30, 1914	3, 797, 825, 099	1, 845, 569, 804	1, 507, 178, 879	150, 000, 000		188, 390, 925	3, 459, 434, 174		3, 459, 434, 174	34. 90	99, 118, 000
January 1, 1879	1, 007, 084, 483	212, 420, 402	21, 602, 640	100, 000, 000		90, 817, 762	816, 266, 721		816, 266, 721	16. 76	48, 691, 000

* Revised figures.

[a] Does not include gold other than that held by the Treasury.

[b] These amounts are not included in the total, since the gold or silver held as security against gold and silver certificates and Treasury notes of 1890 is included under gold, standard silver dollars, and silver bullion, respectively.

[c] This total includes credits with the Treasurer of the United States payable in gold certificates in (1) the Gold Certificate Fund-Board of Governors, Federal Reserve System, in the amount of $16,513,733,547, and (2) the redemption fund for Federal Reserve notes in the amount of $709,924,022.

[d] Includes $170,000,000 lawful money deposited as a reserve for Postal Savings deposits.

[e] The amount of gold and silver certificates and Treasury notes of 1890 should be deducted from this amount before combining with total money held in the Treasury to arrive at the total amount of money in the United States.

[f] The money in circulation includes any paper currency held outside the continental limits of the United States.

NOTE.—There is maintained in the Treasury—(i) as a reserve for United States notes and Treasury notes of 1890—$156,039,431 in gold bullion; (ii) as security for Treasury notes of 1890—an equal dollar amount in standard silver dollars (these notes are being canceled and retired on receipt); (iii) as security for outstanding silver certificates—silver in bullion and standard silver dollars of a monetary value equal to the face amount of such silver certificates; and (iv) as security for gold certificates—gold bullion of a value at the legal standard equal to the face amount of such gold certificates. Federal Reserve notes are obligations of the United States and a first lien on all the assets of the issuing Federal Reserve Bank. Federal Reserve notes are secured by the deposit by the Federal Reserve Bank concerned, with its Federal Reserve Agent, of a like amount of collateral consisting of such discounted or purchased paper as is eligible under the terms of the Federal Reserve Act, or gold certificates, or direct obligations of the United States. Each Federal Reserve Bank must maintain reserves in gold certificates of not less than 25 percent against its Federal Reserve notes in actual circulation. Gold certificates deposited with Federal Reserve Agents as collateral, and those deposited with the Treasurer of the United States as a redemption fund, are counted as part of the required reserve. "Gold certificates" as herein used includes credits with the Treasurer of the United States payable in gold certificates. Federal Reserve bank notes and National bank notes are in process of retirement.