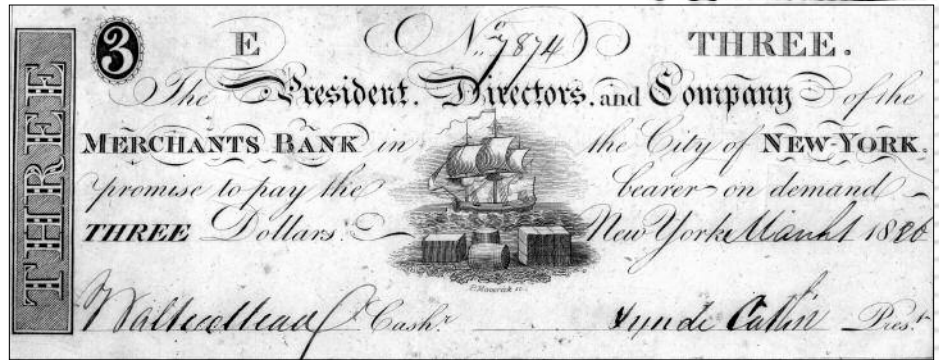


A Nation of Counterfeiters

By Stephen Mihm

FEW OF US QUESTION THE LITTLE SLIPS OF GREEN PAPER that come and go in our wallets, purses and pockets. While we may obsess over how much we have at any one time, we do not subject the notes themselves to close scrutiny: most of us cannot remember (without looking) which scene goes with which denomination, or even the secular saints whose portraits adorn the front. Our ignorance is a testament to just how secure we feel about the currency and how little we need to question the underlying value of these scraps of paper. The money is in our hands, it is green, and it has a number on it: that is all we need to know.

It was not always so. In the years between the Revolution and the Civil War, money inspired not careless faith and trust, but nagging doubt and scrutiny. Most money in circulation in these years originated not with the national government, but with sometimes shaky private banks. This right to make money — literally — was a privilege that bankers acquired when they obtained a corporate charter from one of the individual states. After depositing bonds or other assets with a state government, a bank could commission an engraver to design and



Bank notes from the late 18th and early 19th centuries lacked the elaborate designs and fine engraving that became commonplace by the 1830s.

print so-called bank notes, colorful slips of paper that pledged to pay an equivalent amount of gold or silver coin if presented for redemption at the bank, and which entered into circulation as the bank issued loans, transferred money, paid its debts, and conducted its day-to-day business.

This was the golden age of private currency creation, but it was also the golden age of counterfeiting. Though it was pretty easy to spot a counterfeit when only a few banks issued notes, that wasn't the case for long. Close to 200 banks were issuing paper money by 1815, and by 1830, the number climbed to 321. Ten years later, that number jumped again to 711, dipped in the early 1840s, and then skyrocketed upward. By the 1850s, with so

many banks issuing money of their own design, more than 10,000 different kinds of paper currency bobbed up and down in the streams of commerce. As one financial writer from that era sadly concluded, "there are very few persons, if any, in the United States, who can truthfully declare their ability to detect at a glance any fraudulent paper money... In spite of all precautions," he observed, "every merchant has his pile of counterfeit money, and his hourly fear of having it increased."

To many people living in the U.S. at the time, counterfeiting posed a serious threat to the financial system. "We seem about to become liable to be called a nation of counterfeiters!" predicted Hezekiah Niles as early as 1818. Niles, who edited one of the

O. David Bowers (Whitman Publishing and Stack's Rare Coins)



Though most counterfeits remained in circulation, a handful of conscientious banks stamped or even branded bogus notes to prevent their continued use.

Courtesy National Numismatic Collection, Smithsonian Institution

premier financial publications of the day, looked with horror at the proliferation of fraudulent paper. “Counterfeiters and false bank notes are so common that forgery seems to have lost its criminality in the minds of many.” Just how common the problem had become was hard to quantify, but most agreed that it had reached remarkable levels at the beginning of the century. “The whole country was deluged with counterfeit money,” recalled future lawyer John Neal of his childhood as an apprentice storekeeper in Maine in the early 1800s. “Ten per cent... of all that was in circulation was absolutely worthless; being either counterfeit, or the floating issue of broken banks.”

This explosion of counterfeit money at the beginning of the century had much to do with the rise of sophisticated criminal gangs who began preying on the growing number of banks. The most infamous of these bands plied their trade in remote locales, particularly the wild border region north of Vermont in what is now Quebec. Thanks to some loopholes in imperial law, counterfeiting the notes of American banks wasn’t illegal in British Canada, and in the absence of an extradition treaty between the U.S. and Britain, counterfeiters could operate with impunity. The simmering hostilities between the U.S. and Britain that eventually culminated in the War of 1812 only made it easier for counterfeiters to dodge prosecution.

Many of these early counterfeiters were enterprising Americans whose decision to relocate north of the border was a business decision more than an expression of loyalty to their new country. Their ranks included a host of colorful figures: Stephen Burroughs, formerly of New Hampshire, was probably the most notorious. The author of a picaresque memoir chronicling his earlier career as a seducer, imposter, rabble-rouser, land speculator and itinerant schoolteacher, he moved to Canada around 1800 and churned out a torrent of counterfeit money that was distributed throughout New England by foot-loose wholesalers and retailers.

Though Burroughs eventually reformed, plenty others followed in his footsteps, settling in neighboring towns just over the border with Canada. The most successful of these scoundrels dwelt on a dirt road in a small town called Dunham. In criminal and police circles, the road was known as Cogniac Street, and for good reason: “cogniac” was a common slang term for counterfeit money. The denizens of the street included such colorful figures as Seneca Paige, whose gravestone slyly proclaims that he was “a friend of the poor”; Thomas Adams Lewis, a former Loyalist who waged a proxy war against the U.S. by counterfeiting the country’s bank notes; Ebenezer Gleason, a gaunt man who oversaw the production of millions of dollars in counterfeit notes and engineered multiple prison breaks; and Lyman Parkes, a self-taught engraver whose imitations commanded

a premium and whose counterfeits of the Bank of the U.S. precipitated a financial crisis.

Cogniac Street reached the height of its power in the early 1830s before suffering raids orchestrated by the conservative banking community of Boston. The demise of the “Canadian Counterfeiting Company,” as one newspaper dubbed it, hardly spelled the end of counterfeiting. In the 1830s, a cataclysmic political struggle over Nicholas Biddle’s Bank of the U.S. — the closest thing the country had to a central bank — ended with Andrew Jackson vetoing attempts to renew its charter for another 20 years. The result was an upsurge in the number of note-issuing banks chartered by state legislatures, and a concomitant explosion in the number of counterfeit notes in circulation. But now counterfeiters were no longer confined to a handful of villages in Canada: they began making money in a host of other hospitable locales: remote communities in the newly settled states of Ohio, Indiana and Illinois, as well as in urban workshops in cities like New York and Philadelphia.

At the same time that counterfeits proliferated, so too did the very categories of counterfeit money. Today we call something a counterfeit if it’s an imitation, but back then, bogus money assumed other guises. Counterfeiters exploited people’s unfamiliarity with the currency by issuing “spurious notes” that bore no resemblance whatsoever to the genuine article. Others produced notes with their title, locality, or denomination extracted and a new one put in its place — so-called “altered” or “raised” notes. Still others dropped all pretense of authenticity, and arrogated the privilege of banking, producing notes that sounded plausible — the Merchants’ Bank of Utica, for instance — but which existed only within the counterfeit economy. Such notes, while deemed counterfeit, blurred imperceptibly into yet another category of fraud, the notes of “wild-cat” banks — institutions founded by



mirror images of each other. As Hezekiah Niles recognized, both bankers and counterfeiters issued bills or notes with little or nothing in the way of assets backing their promises to pay, and both drew their energy from the same boundless faith that slips of paper could, with the elixir of confidence, pass as good as gold. And yet the similarity went deeper. To the “legitimate” business community, counterfeiters lurked about like a company of ghostly doubles. Many merchants and financial writers referred to counterfeiters as “bankers” or “capitalists,” a tacit acknowledgment that these criminals conducted their affairs with a comparable level of sophistication. Counterfeiters fashioned elaborate schemes for the production and distribution of counterfeit notes, building a vast shadow economy similar in scope and scale to more orthodox avenues of making money. “So systematic, indeed has this nefarious traffic become of late,” complained the editors of the *National Police Gazette* in 1849, “that the great dealers execute orders for the town and country with the same method and regularity, as manufacturers in fair branches of trade.”

New York City Municipal Archives

This illicit economy employed many of the same technologies, people and practices as conventional capitalists did. The same advances in bank note engraving that promised to provide protection from counterfeit notes instead opened the floodgates to new and dangerous frauds. The same skilled artisans who engraved notes on behalf of the banks also moonlighted as counterfeiters. The same dies and plates used to print genuine notes ended up in the hands of counterfeiters. The same laborers who eked out marginal wages in the mills and factories of capitalists supplemented their income with counterfeit money. And the same “counterfeit detectors” published to assist the unwary became useful tools for the passing of counterfeit notes. Even those charged with policing the econ-

A bank note of the dead and defunct Lapeer County Bank (top) stripped of its identity (middle) and resurrected as the issue of the reputable Fairhaven Bank (bottom).

unscrupulous financiers in remote areas for the express purpose of making it difficult, if not impossible, for the notes to be exchanged for gold and silver.

Even the notes of legitimate banks might migrate into counterfeit territory in the wake of economic distress or panic. Hezekiah Niles claimed to not “see any real difference, in point of fact, between a set of *bank directors*, who make and issue notes for 5, 10 or 100 dollars, which are not worth the money stated on the face of them, which they deliberately promise to pay with a previous resolution not to pay, and a gang of fair, open, honest counterfeiters. One speculates by

law, and the other against the law; but both are speculators and have [a] unity of interest.” Casting his eyes over a pile of bills scattered on his desk, Niles observed that “some of them are called *genuine* and a few pronounced to be *counterfeits*. But the latter are just as valuable as the former — and it seems impossible to draw a distinction between them; their *intention* and *effect* being the same.”

Both counterfeiters and bankers thrived at this time, and to a certain extent, the story of one is the story of the other. Every bank note had its counterfeit counterpart, so that two economies emerged simultaneously,

omy worked both sides of the fence, lending a hand to the very counterfeiters they were supposed to prosecute.

In all of this, the border between the real and the counterfeit became blurry. This led to some unusual distinctions and bizarre business practices. The famed private detective Allan Pinkerton, who got his start prosecuting counterfeiters in his home state of Illinois, later recalled for the edification of his readers that “it was a popular remark among men of business at this time that they preferred a good counterfeit on a solid bank to any genuine bill of a shyster institution.” What mattered back then was that a note could pass. For example, as John Neal remembered, “In our establishment, all such moneys, whether counterfeit, or only questionable, were always put back into the till” — to await an appropriate, if unsuspecting, customer.

And yet the system worked. For all the counterfeit bank bills, raised and altered notes, and dubious currency in circulation, the U.S. was hardly held back by these illicit additions to the money supply. Between the Revolution and the Civil War, the nation’s economy grew by leaps and bounds, expanding at a clip not seen since. Perhaps, in a nation poor in gold and silver but rich in promise, counterfeit notes helped meet the insatiable demand for credit. Indeed, all the invidious comparisons between bankers and counterfeiters hinted at a deeper truth. This was a country whose inhabitants desperately needed and wanted money to make its dreams a reality, and where the banks fell short, counterfeiters proved more than willing to pick up the slack. Many people in the business of banking viewed counterfeiting as a small price to pay for a system of money creation governed not by the edicts of a central bank or the fiscal arm of the state, but by insatiable private demand for credit in the form of bank notes.

Though economic nationalists repeatedly tried to rein in private money making of all kinds, they would



19th century counterfeit bank notes and Bank Note Reporter on display in the Museum’s “Money: A History” exhibit.

have to wait until the conflagration of the Civil War before the interests of the currency and the country became irrevocably intertwined. This was something of an accident: the U.S. needed to pay for the cost of a long and punishing war, and turned to the printing press to pay its debts. But what began as a desperate bid to prop up the finances of the Union turned into something else: a campaign to remake the nation’s currency so that it would reflect the ideal of a stronger federal government. All those bank notes seemed an unpleasant reflection of the doctrine of states’ rights. As Senator John Sherman, a key player in the bid to reform the currency put it, opponents of nationalizing the currency were clinging to “the accursed heresy of State Sovereignty, laying at the foundation of the slaveholders’ rebellion.” In a series of legislative reforms, Sherman and his allies — including, most notably, Secretary of the Treasury Salmon P. Chase — banned the issue of notes by state-chartered banks, and replaced them with a common national currency founded on an almost mystical faith in the credit of the country.

Confidence in the currency no longer rested on the diffuse and almost infinite number of variables that governed the values of privately issued bank notes. Rather, it depended on faith in a new abstraction — the nation — that transcended both the market economy and the individuals and corporations who constituted it.

As a consequence, counterfeiting went from being a nuisance to being a threat to national sovereignty and sanctity. In response, the government founded a national police force initially run by a corrupt but ruthless former bodyguard, private detective and prison warden named William Wood. A man described by one contemporary as “short, ugly and slovenly in his dress in manner affecting stupidity and humility; but at bottom the craftiest of men” — this was the man who launched the anti-counterfeiting force that grew into today’s Secret Service. And despite its unusual origins, the Secret Service managed to do what had up until then been seen as impossible: it dismantled and destroyed the counterfeit economy.

Though counterfeiting has largely disappeared from the nation’s economic landscape, its get-rich-quick spirit lives on in the stock market gambles and real estate bubbles that dominate headlines in our own day. We may no longer scrutinize the money that passes through our hands, but the great confidence game of capitalism is alive and well. We remain, even today, a “nation of counterfeiters.”

Stephen Mihm is an assistant professor of history at the University of Georgia and the author of A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States (Harvard University Press, 2007), from which this article is adapted.