

## BEP HISTORY FACT SHEET



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## DEMAND NOTES

The Demand Note was the first paper currency issued by the U.S. government. Authorized by the acts of July 17 and August 5, 1861 (fiscal year 1862), Demand Notes were essentially government IOUs and were called Demand Notes because they were payable "on demand" in gold coin at certain Treasury facilities.

Demand Notes were a part of an early plan to fund the Union's efforts in the Civil War. Around a month after the Union defeat at First Manassas or Bull Run (August 1861), Secretary of the Treasury Salmon P. Chase negotiated a loan from the big northeastern banks for \$150 million in gold. The Demand Notes were issued as a stopgap measure until the first installment of \$50 million arrived in the Treasury. The notes were issued by the Treasury in Washington, DC, and the sub-treasuries in Boston, New York, Philadelphia, Cincinnati, and St. Louis.

Printed by the American Bank Note Company of New York, Demand Notes were sent to the Treasury in sheets of four notes each where dozens of clerks separated and trimmed them by hand before issuance. The notes also needed to be hand signed by the Register and Treasurer of the Department of the Treasury. This step was quickly ascertained to be impossible as 4 to 5 million notes were to be issued in a matter of months. To get around this problem, various clerks in the Treasury were designated to sign the notes for the Register and Treasurer. These clerks signed their own names and added the words "for the" near the engraved titles "Register" and "Treasurer." Later, "for the" was printed on the notes to speed the process along. The notes did not bear a Treasury seal.

Demand Notes were, at first, not legal tender, meaning that private parties could refuse the money in payment, but they were "receivable in payment for all public dues." This meant that the notes could be used to pay taxes and customs duties. Mere weeks after the new notes were printed, the federal government began using the notes to pay at least part of many federal government employees' salaries, including Union troops. Banks varied in their response to Demand Notes, with some being willing to accept the notes, some declining the notes, and some allowing only the deposit of the notes.

Demand Notes proved to be a short-lived currency. Issued from the summer of 1861 until the spring of 1862, Demand Notes largely disappeared from circulation by the end of the Civil War as the currency was supplanted by United States Notes in 1862. United States Notes were not payable in gold on demand.

**Additional Sources**

John Jay Knox, *United State Notes*. 1884.

Michael Scalia,  
"Demand Notes: The Accidental  
Currency," 2004.

“I was compelled to use some expedients for payment of the Army & Navy, or see the defeat of all our efforts to save the integrity of the Republic.”

-Treasury Secretary Salmon P. Chase on Demand Notes

### DEMAND NOTE DENOMINATIONS

Demand Notes were available in \$5, \$10, and \$20 denominations. As Demand Notes were printed and issued for such a short time, there are no separate series to consider.

One can distinguish between the notes by the sub-treasury identified on the note and whether the words, “for the,” near the signatures are handwritten or printed.

### DEMAND NOTES ISSUED

Fiscal Year	\$5	\$10	\$20	Total
1862	\$21,800,000	\$20,030,000	\$18,200,000	\$60,030,000

Source: *Annual Report of the Secretary of the Treasury on the State of the Finances*, 1876, 508.

### HISTORICAL LEGISLATION REGARDING DEMAND NOTES

- July 17, 1861**     **An Act to authorize a national loan and for other purposes (12 Stat. 259)**  
This act authorized the issuance of \$50,000,000 in Demand Notes.
- August 5, 1861**     **An Act supplementary to an act entitled “An Act to authorize a national loan, and for other purposes” (12 Stat. 313)**  
This legislation authorized representatives of the Treasurer and Register to sign Demand Notes for them. It also added the \$5 denomination of the Demand Note.
- February 12, 1862**     **An Act to authorize an additional issue of United States Notes (12 Stat. 338)**  
Despite its title, this act authorized a \$10,000,000 increase in Demand Notes.
- March 17, 1862**     **An Act to authorize the purchase of coin, and for other purposes (12 Stat. 370)**  
The act made Demand Notes legal tender.