

LESSON PLAN:

Counterfeit! Exploring a forgery scandal in the *Papers of the War Department* online collection

Overview: Americans have a long mistrust of the idea of paper money. Even before the drafting of the Constitution, Americans were skeptical of the concept of printed currency being used as a medium of exchange, fearful that it could be manipulated by an irresponsible government or forged by unscrupulous criminals.

In the decades following the American Revolution, the War Department was the country's largest single consumer of goods. It bought huge amounts of muskets, blankets, shoes, and many other items. The War Department also spent the vast majority of the money spent by the Federal government: nearly seven of every ten dollars the national government spent passed through the War Department. Thus the early War Office was a attractive target for financial fraud and crime.

This lesson plan invites students to do some detective work to track a counterfeiting scandal that plagued the early War Department. This lesson is suitable for history classes focused on colonial and early American history, for government and civics classes focused on life under the new Constitution, and for economics classes dealing with the challenges of paper currency and checks within a large national economy.

ACTIVITY:

Historical background: What is paper worth? How can the recipient know that a printed piece of paper offered as cash or as a check has actual value? Why accept paper in return for tangible goods?

Americans have had a long, healthy distrust of printed money that dates back before the United States was even a country. During the colonial period, Americans were wise to treat paper money with skepticism, since it was tempting for a talented artist or printer to forge paper money and pass it off as genuine. Without modern technologies to foil forgers, there were few safeguards to protect the paper money supply.

Of even greater concern was the risk that a desperate or unprincipled government might manipulate the supply of paper money. That had happened at numerous points during the colonial period. During the War of Independence, the Continental Congress was faced with the urgent demands of raising, outfitting, and maintaining an army to continue the war against the British. But the Continental Congress lacked the power to levy taxes: it could only request that the individual colonies furnish money to pay a share of the cost of fighting the war.

None of the colonies furnished all of the requested money, and the Continental Congress began issuing paper notes (called "Continental") to cover the costs of the war. Because that paper money was not backed by anything tangible, accepting it in exchange for goods was a gamble that the Continental Congress would ultimately pay its debts. As the value of the paper notes fell, the Congress printed more of them. That led to what economists call an "inflationary spiral," as more and more notes flooded the

market and became less and less valuable. By the end of the war anything that was generally useless was said by Americans to “not be worth a Continental.”

Americans were thus rightfully wary of accepting printed paper in exchange for goods and services. And yet the activity of a large national economy demanded some form of exchange. Section I, Article 8 of the 1787 Constitution gave the Congress power to coin money and to regulate its value. It also gave Congress the power “To provide for the Punishment of counterfeiting the Securities and current Coin of the United States.”

That line did not find its way into the Constitution by accident. It was a response to the kind of financial fraud that appeared regularly during the years after the Revolution. This lesson asks students to do the detective work necessary to unravel a series of frauds and forgeries that passed through the War Department in the 1780s.

Lesson objective: To learn more about the use of paper money and checks in the early United States by acting as historical detectives investigating an ongoing counterfeiting scandal that plagued the War Department in the 1780s.

Lesson materials

Primary source document packet:

Document A, William Freeman to Joseph Howell, July 1794 (p. 5-6)

Document B, Elbridge Gerry to Samuel Hogdgon, March 1785 (p. 7-8)

Document C, Joseph Howell to Joseph Ward, June 1786 (p. 9-10)

Document D, William Pierce, October 1786 (p. 11-12)

Timeline (p. 13)

Historian’s worksheet (p. 14-17)

Teacher answer key (p. 18-21)

Lesson preparation

If your students are less familiar with early American history, the lesson may work better as a group exercise. Prepare copies of **Documents A, B, C, and D**, the **Timeline**, and the **Historian’s worksheet** for each group. If your students have some experience working with primary sources from the late eighteenth century, the lesson works as an individual exercise. In that case, prepare a packet of the documents, the timeline, and the historian’s worksheet for each student.

Lesson procedure

Optional icebreaker introduction: Each of the primary sources comes with a transcription. The eighteenth-century originals were all handwritten, and digital scans of each original letter accompany the transcribed version in the lesson packet. If your students can read cursive handwriting, you can begin the lesson with a short exercise in which students transcribe a document themselves.

This is an exercise that often works best in groups of two or three, since good transcribers must often use context clues and inference to figure out words and abbreviations that are unclear.

Students will likely find this process extremely frustrating (professional historians find it frustrating, too!), but a five-minute attempt to transcribe the documents can help them appreciate the challenges that teachers and textbook authors face in making sense of original letters from this period, even if the student attempts are unsuccessful.

Begin the session by telling the students that they will play the role of detectives, investigating a rash of crimes that came to the attention of the War Department in the 1780s. They will receive a set of letters from the files of the War Department, and their job is to fit them into a pattern in order to figure out exactly what kind of crimes were being committed.

Provide copies of **Documents A-D**, the **Timeline**, and the **Historian's worksheet**. Students should begin by placing the documents on the timeline to get a sense of when this financial fraud took place and the order in which the letters were written.

Then, they should use the **Historian's worksheet** as a guide to help them analyze each of the documents. (The **Teacher's worksheet** contains information on each of the documents.)

What the students will discover as they read the letters is a pattern of fraud: unscrupulous swindlers (including one named specifically as John Phelon) have been forging pay certificates from the War Department, and passing the forged certificates off as genuine to claim money that does not belong to them. The War Department has been attempting to spot the forged certificates and to remove them from circulation.

Once the students have placed the documents on the timeline, reconvene them for a discussion of this episode of fraud. Start with the broad details: What is happening? What does the War Department propose to do in response? What does this particular pattern of counterfeiting tell us about economic life in the newly-independent United States?

There are three insights that students may discover when putting each letter on the timeline and interpreting them together as a group:

First, the forged certificates were often difficult to distinguish from the real certificates. Even War Department clerks were not always sure which certificates were forged. Regular Americans were right to be concerned about accidentally accepting worthless certificates.

Second, tracking down the forgeries (not to mention the forgers themselves) was *extremely* challenged in an era before wire transfers, telephone communication, and modern fraud-prevention technology. Forged certificates might be passed off hundreds of miles from the War Office in Philadelphia, and it took days or weeks for written correspondence to cover such distances. The counterfeiters had most of the advantages.

Third, counterfeiting was a persistent problem for the War Department and for the country as a whole. These letters span a half-dozen years, and the War Office was no closer to a solution to the forgery problem at the end of the 1780s than it had been at the beginning of the decade. Americans' historic mistrust of paper currency and paper checks would not end with the ratification of the new Constitution.

A good concluding exercise for the lesson is brainstorming what is necessary for a functioning system of paper money—not just in the early United States but in *any* country in *any* era.

Many of the answers will revolve around variations of one theme, trust. Exchanging paper for tangible goods requires a great deal of trust—trust that the paper is legitimate; trust that the next person will accept it in exchange for goods; trust that the government will root out counterfeiting and also maintain the integrity of the money system in general by resisting the temptation to produce too many bills. The need for a durable, trustworthy monetary system is one of the reasons that Congress received the power to coin money and to punish counterfeiters in the 1787 Constitution. A robust, dynamic national economy required the kind of liquidity that only a large money supply could provide—but that kind of bank system came with its own risks.

Optional concluding exercise: Have the students write a short, persuasive letter to the Constitutional Convention convening in Philadelphia in 1787. Students should use their knowledge of the counterfeiting scandal in the War Department to urge the Convention to provide the new Federal government with regulatory powers that can reduce the chances of such fraud in the future.

Fort Mifflin.

11th July 1794.

Sir,

Enclosed is a duplicate of my letter to you of the thirtieth of last month.

I have not yet received the money from the Supervisor although I have sent to him justly for it - it had not then come to hand.

I have to inform you that the notes of the Branch Banks of Baltimore and Charleston have been counterfeited in this State - this will subject the troops to another inconvenience and place me in a very precarious situation - I do not know the marks by which they may be detected and I may unknowingly take them in exchange for large notes. If the money could be obtained immediately from the Bank in Charleston by bills of exchange, it would obviate these difficulties.

I am with great esteem

Sir

Your most obedient
humble servant

Wm. Freeman

Wm. Freeman
#

Joseph Howell Esq.
A. D. W.

11 July 1794

Joseph Howell

Enclosed is a duplicate of my letter to you of the thirtieth of last month.

I have not yet received the money from the supervisor although I have sent to him your XXX for it. It had not then come to hand.

I have to inform you that the notes of the Branch Banks of Baltimore and Charleston have been counterfeit in this state. This will subject the troops to another inconvenience, and place me in a very precarious situation. I do not know the mark by which they may be detected and I may unknowingly take them in exchange for large notes. If the money could be obtained immediately from the Bank in Charleston by bills of exchange, it would obviate those difficulties.

I am with great esteem Sir

Your most obedient humble servant

William Freeman

Boston March. 16. 1785

Dear Sir,

Annex'd is an additional list of Peirce's
Certificates, which please to examine & inform me
whether any of which are counterfeit

[Here follows the list]

I am this moment favour'd with yours
of March 7th & find one of the Certificates is counter-
feited; The Bill for 400 dollars is sent in and paid by
Mr Russell, but you can remit him Mr Kings draft who
has rec^d for it the three hundred & ninety Dollars you
sent me & the matter will stand right, Mr King will deli-
-ver you the 72¹/₅ lawful which ballances our acct.

Adieu I shall write you again soon

Col. Hodgdon

Yours in haste
E. Gerry

Boston, March 16, 1785

To Samuel Hodgdon

Dear Sir:

Annexed is an additional list of Pierce's certificates, which please to examine & inform me whether any of which are counterfeit—

[here follows the list]

I am this moment favored with yours of March 7 & I find one of the Certificates is counterfeited—The Bill for 400 dollars is sent on and paid by Mr. Russell, but you can remit him Mr. King's draft who has received for it the three hundred ninety dollars & the matter will stand right. Mr. King will deliver you the 72.5 which balances our account.

Adieu. I shall write you again soon—Yours in haste, E. Gerry

(49)
Office of Army Accounts

New York June 28th June 1836,

Sir,

In answer to your several queries contained in yours of 22 Instant to Mr. Piere I have to inform you that Mr. Hodgson brought several certificates of final settlements to the Office, then at Philadelphia to be examined, which appeared by the original register to be counterfeit in all their contents, except the paper, that they were examined by me in the presence of Mr. Hodgson and the gentlemen of the Office immediately on their being produced - And further that I thought it my duty to detain those certificates until the arrival of Mr. Piere who was then on his circuit thro' the Southern States, but being informed by Mr. Hodgson they were received of a person well known by him, and that no injury would arise to the United States by their being delivered to him, they were returned - As Mr. Piere was absent when this transaction happened he has directed me to answer your letter to him.

Yours &c

J. Howell

Joseph Ward.

Office of Army Accounts, New York

June 28th 1786

In answer to your several queries contained in yours of 22 instant to Mr. Pierce I have to inform you that Mr. Hodgdon brought several certificates of final settlements to this office, then at Philadelphia, to be examined by the original requiter to be counterfeit in all their contents, except the paper,

That they were examined by me in the presence of Mr. Hodgdon and the gentlemen of the affair immediately on their being produced—

And further that I thought it my duty to detain those certificates until the arrival of Mr. Pierce who was then on his circuit through the Northern states, but being informed by Mr. Hodgdon they were received by a person well known by him and that no injury to the United States would arise by their being delivered to him they were returned—

As Mr. Pierce was absent when this transaction happened he has directed me to answer your letter to him.

Yours, Joseph Howell

Circular

New York, October 30 1886

Office of Army Accounts.

Sir

I enclose you will receive my further register of certificates issued - I have to request that you will draw attention to the reason to believe that John P. Kelton has prepared counterfeit certificates with same number marks and descriptions with the genuine ones signed by me, and that he has so well imitated my signature that it is almost impossible to detect them. I am therefore apprehensive that the loan officers may by their carelessness have imposed on, & have therefore to request that your attention to the detecting any person who shall offer such certificates for the payment of interest and that you will see if on the back of some of these there is not marked in small figures the number of the certificate in Kelton's hand in which case you may be ^{very} probably certain that the certificate is a bad one and will require the strictest attention that it be the persons through whose hands the same has passed should be known.

For Loan Officers of the
different States }

✓ A. H. -
 ✓ M. J.
 ✓ A. J.
 ✓ N. Y.
 ✓ P. V. M.

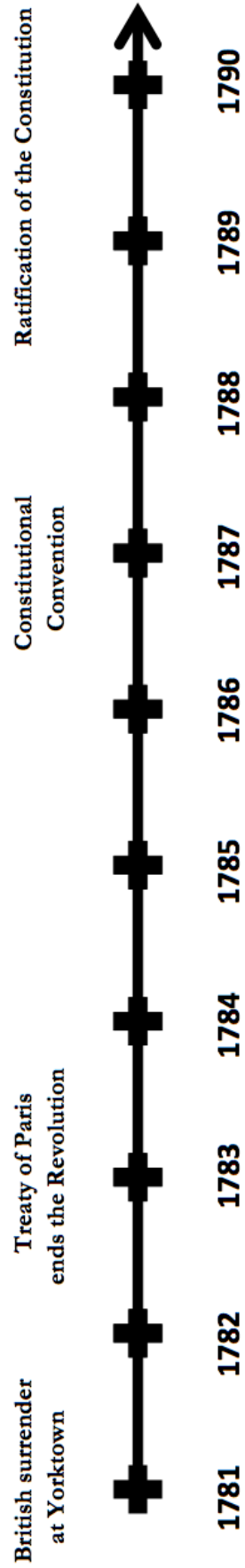
Oct 30. 1786
Loan Officers of the different States
Circular
New York October 30. 1786
Office of Army Accounts

Circular

Sir

Inclosed you will receive my further register of certificates issued. I have reason to believe that John Phelon has passed counterfeited certificates of the same necessities marks and descriptions with the genuine ones issued by me, and that he has so well imitated my signature that it is almost impossible to detect them.

and I am therefore apprehensive that the Loan Officers may by this means have been imposed on, & have therefore to request that your attention to the detection of any person who shall offer such duplicate for the payment of Interest and that you will see if on the back of some of them there is not marked in small figures the number of the certificate in Phelon's hand in which case you may be tolerably very certain that the certificate is a bad one and will require the utmost attention that it be the persons through whose hands the same has passed should be known.



Document A

Who is the author of this letter?

When was it written?

What is the author warning about?

What does the author recommend be done?

Document B

Who is the author of this letter?

When was it written?

What is the author warning about?

What does the author recommend be done?

Document C

Who is the author of this letter?

When was it written?

What is the author warning about?

What does the author recommend be done?

Document D

Who is the author of this letter?

When was it written?

What is the author warning about?

What does the author recommend be done?

Document A

Who is the author of this letter?

William Freeman

When was it written?

July 11, 1794

What is the author warning about?

Freeman has discovered that notes from banks in Baltimore and Charleston have been forged. Freeman cannot tell the forged notes on his own and will be in a difficult position when it comes time to exchange them, since he may hand out large-value bills in return for useless paper by accident.

What does the author recommend be done?

Freeman hopes that that money can be obtained from the two banks by bills of exchange—a promissory note that cannot be forged in the same way—to avoid the problems.

Document B

Who is the author of this letter?

Elbridge Gerry, the early American politician whose salamander-shaped district in Essex County, Massachusetts, gave us the term “Gerrymander”

When was it written?

March 16, 1785

What is the author warning about?

Gerry has included a list of remittances and is worried that not all of them are genuine.

What does the author recommend be done?

He asks Samuel Hodgdon of the Quartermasters Office, to verify that they are genuine. Hodgdon notes that one of the certificates for \$400 (a substantial sum of money in 1785) is indeed a forgery.

Document C

Who is the author of this letter?

James Howell

When was it written?

June 28, 1786

What is the author warning about?

Howell notifies the recipient that several certificates of payment were brought to them at the War Office. Howell and Samuel Hodgdon examined the certificates and found them all to be counterfeit.

What does the author recommend be done?

Howell proposed to keep the certificates as evidence. Hodgdon assured him that he knew the person who had received them and that no damage would come to the United States if they were returned. (Presumably Hodgdon knew that the recipient would not try to pass off the forged certificates to some unsuspecting neighbor.)

Document D

Who is the author of this letter?

William Pierce

When was it written?

October 30, 1786

What is the author warning about?

Pierce writes a “circular,” a letter that is to be copied and sent to several recipients, to the loan officers of several states. (New Hampshire, Rhode Island, and New York are visible at the bottom of the circular.)

He notes that a forger named “John Phelon” has passed off counterfeit notes and that Phelon has learned to copy Pierce’s signature so closely that it is nearly impossible to spot them.

What does the author recommend be done?

Peirce urges anyone who accepts a note to check the back to see if Phelon has numbered the certificate in his own handwriting. (Phelon must have been a very organized forger.) If so, Pierce writes that it is nearly certain to be a fake and that the recipient should attempt to determine who has passed on the note—likely so they can try to catch the culprit and his confederates.