

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

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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

Document B, Elbridge Gerry to Samuel Hogdgon, March 1785

Document C, Joseph Howell to Joseph Ward, June 1786

Document D, William Pierce, October 1786

Timeline

Historian’s worksheet

Teacher answer key

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.