Cops and Counterfeiters

AN EXHIBITION CHRONICLES THE EVOLVING ARTISTRY ON BOTH SIDES OF THE LAW. BY JONATHAN LOPEZ

From top: A fake $50 bill made during the Civil War; "Count" Victor Lustig, who launched a massive counterfeiting scheme in the 1930s.

LOCATED DIRECTLY above a vault containing 900 tons of gold, the public gallery of the American Numismatic Society at the Federal Reserve Bank of New York currently offers visitors a fascinating look at the U.S. Treasury Department's efforts to foil counterfeiters, from the founding of the Secret Service in 1865 up to the present day, in a richly detailed historical exhibition called *Funny Money*.

"At the time of the Civil War, over one third of all U.S. currency in circulation was fake," says the Numismatic Society's director, Ute Wartenberg Kagan. "Coins were produced by the government, but paper money was produced by more than 1,600 private banks," employing a wide variety of designs, colors and formats. Some private banknotes depicted mythological or historical scenes. Others featured leaves and flowers. A memorable $5 bill issued in 1857 by the Howard Banking Co. of Boston showed Santa Claus with his reindeer and sleigh.

This chaotic state of affairs served as an invitation to fraud. With no uniform standard against which to compare their appearance and no specific branch of law enforcement dedicated to their interdiction, counterfeit banknotes proliferated to such a degree in 19th-century America that the editor of *The Weekly Register*, a major financial publication, fulminated that "forgery seems to have lost its criminality in the minds of many." Indeed, stressing that the era's paper money was valued largely according to its plausibility, Stephen Mihm, author of *A Nation of Counterfeiters* (Harvard, 2009), provocatively argues that the business model of antebellum counterfeiters was in many ways consistent with the traditions of American entrepreneurship. In a frontier economy, where authority was scarce and opportunity plentiful, many skilled engravers naturally turned their attention to making money—in a literal sense.

Less deceitful members of the private sector found ways to profit by demystifying the counterfeiters' art. "So pervasive had counterfeiting become by the 1830s," writes Mihm, "that enterprising publishers began issuing 'counterfeit detectors,'" illustrated books reproducing design elements from hundreds of bills along with instructions on how to spot a fake. Mechanical devices like the Fairbanks Infallible Counterfeit Coin Detector, which compared a coin's size, weight and specific gravity to those of a reliable specimen, enabled merchants to root out worthless—albeit superficially convincing—imitations made from base metals.

The federal government began to reform the nation's ad hoc approach to money in 1861, when Congress authorized the Treasury Department to print and circulate paper currency in response to the financial strains of the Union's war effort. Although private banks would continue to play a role in the issuance of U.S. currency until 1929, the design of each denomination was standardized as of 1863, with all phases of production placed under the Department's supervision. In 1865 the Secret Service was created to suppress counterfeiting, giving the Department its own police force and intelligence team.

Initially the Secret Service earned a reputation for rough and abusive tactics, particularly when dealing with counterfeiters bent on destabilizing the money supply out of an unrepentant sympathy for the Confederate

UNITED STATES SECRET SERVICE

Right: Jonathan Hughes, arrrested for counterfeiting in 1892. Below: The Fairbanks Infallible Counterfeit Coin Detector.

cause. But as the interests of criminal justice began to outweigh those of Reconstruction politics, the Secret Service grew more professional in its approach. "Very early on they realized that they had to get convictions in court," notes Wartenberg Kagan. "In 1875 they issued a booklet of regulations to insure that any evidence gathered by agents would comply with the legal system."

Although photography was a tool as yet little exploited by most law enforcement agencies of the era, it played an important role in the Secret Service's investigative techniques almost from the very beginning. Counterfeiting—an enterprise that required substantial capital and specialized skills, particularly during the 19th century—tended to be a lifelong profession for its practitioners, and recidivism rates were exceptionally high. Maintaining detailed photographic records of convicted counterfeiters and disseminating the files to all Secret Service field offices allowed for positive identification in the event of subsequent offenses, even those carried out under aliases or in distant locales.

Counterfeiters captured the attention not just of the authorities but of the general public. Newspapers celebrated the exploits of such colorful figures as Count Victor Lustig, a lifelong con-man who successfully "sold" the Eiffel Tower for scrap metal before he embarked on a massive scheme to forge U.S. currency. Captured by the Secret Service in 1935, Lustig escaped from Federal Detention Headquarters on West Street, in New York City, by means of a rope made out of bed sheets, just one day before he was scheduled to stand trial. Recaptured, he was ultimately sentenced

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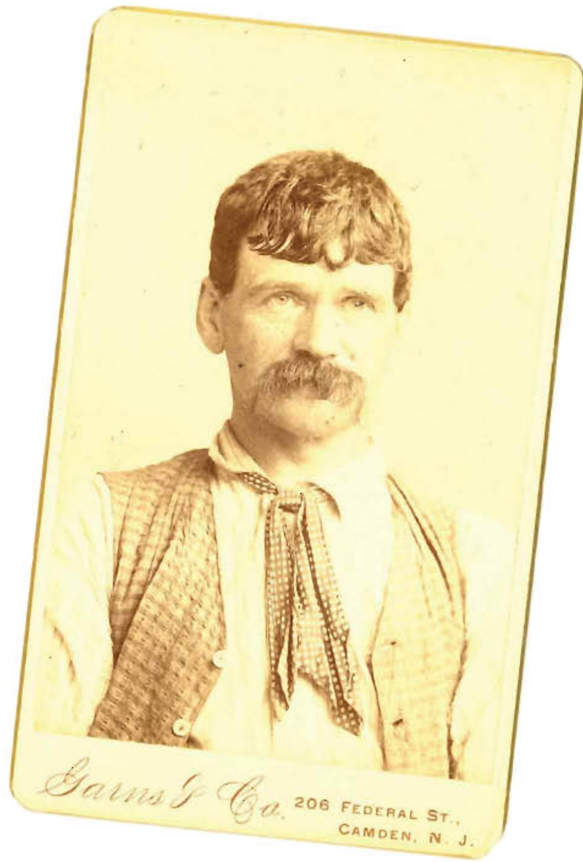
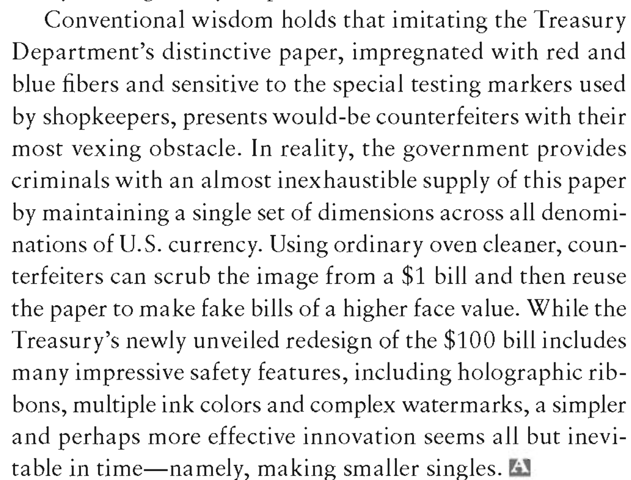


to 20 years in Alcatraz.

In Lustig's day, counterfeiting entailed the use of expertly crafted engraving plates, usually produced by skilled artisans in a ringleader's employ. Although this is still the preferred method for manufacturing truly high-quality fakes—and is used today by organized crime syndicates ranging from South American drug cartels to a (possibly state-financed) North Korean group responsible for the so-called "super notes" that began appearing in the 1990s—the advent of affordable color scanners and printers has tempted less hardened criminals to try their hands at the trade. Albert Tolten, a soft-spoken suburbanite from Lawndale, Calif., produced more than $7 million worth of bogus bills using an inkjet printer purchased at Staples. Arrested in 2009, he is currently serving a 10-year prison sentence.



Conventional wisdom holds that imitating the Treasury Department's distinctive paper, impregnated with red and blue fibers and sensitive to the special testing markers used by shopkeepers, presents would-be counterfeiters with their most vexing obstacle. In reality, the government provides criminals with an almost inexhaustible supply of this paper by maintaining a single set of dimensions across all denominations of U.S. currency. Using ordinary oven cleaner, counterfeiters can scrub the image from a $1 bill and then reuse the paper to make fake bills of a higher face value. While the Treasury's newly unveiled redesign of the $100 bill includes many impressive safety features, including holographic ribbons, multiple ink colors and complex watermarks, a simpler and perhaps more effective innovation seems all but inevitable in time—namely, making smaller singles.