

US Currency

Background

The US **dollar** is the official currency of the US. It's not only the most circulated currency in the world but also considered one of the most stable.

Also referred to as the Federal Reserve note and abbreviated as USD, it can be issued as paper money or coins. There were almost 55 billion banknotes (another term for bills, often called “notes”) totaling about \$2.3T in circulation by the end of 2023.

See how much US currency has been in circulation every year since 1997 [here](#).

Early History

Today, within the Treasury Department, the US Mint produces all circulating US coins. The Bureau of Engraving and Printing produces all circulating paper money. The Federal Reserve then distributes the new currency to Reserve Banks, which distribute funds to depository institutions, like commercial banks.

But it **wasn't always** that way.

In 1690, the Massachusetts Bay Colony became the first of the 13 original colonies to issue paper money. In addition to this “colonial money,” the colonies used foreign currency, livestock, and produce as currency.

After the Revolutionary War began, the Articles of Confederation officially allowed states to issue their own currency—but the Constitution’s ratification in 1788 made it illegal for states to coin their own money.

In 1785, two years after the Revolutionary War ended, the Continental Congress declared the dollar the official currency in the US. They based it on the Spanish milled dollar, Mexico’s currency that had become popular in the states.

Currency production (as in coins—paper money came later) didn’t actually begin until 1792, when Congress passed the Coinage Act that, among other things, **created the US Mint**. Foreign currency was outlawed as legal currency in the US in 1857.

In 1861, to help finance the Civil War, the US Treasury printed **its first paper money**, called “Demand Notes.” They weren’t considered legal tender at first and were treated more like IOUs. Demand notes eventually died out once Congress introduced new banknotes. Learn about all the different versions of paper money throughout US history [here](#).

In 1863, Congress passed the first National Banking Act, which let the Treasury Department issue “National Banknotes” through banks throughout the country. Private banks helped issue paper money until 1877, when Congress ordered that only BEP could print US paper money.

Denominations and Designs

Paper money is made up of 75% cotton and 25% linen. The US used to print higher denominations than the seven types of bills in print today (\$1, \$2, \$5, \$10, \$20, \$50, and \$100), but the BEP stopped

printing bills over \$100 in 1969 (like the \$10K and \$5K bills) due to lack of use. Read about the discontinued bills [here](#).

The \$2 bill is the **least commonly used bill** in transactions, which makes it seem rare. However, the BEP still issues these bills, just not every year due to their lack of circulation (the BEP typically issues new money to replace old, worn-out currency).

The highest note ever printed was worth \$100K and featured President Woodrow Wilson (learn about other American historical figures on US currency [here](#)).

There are **four coin denominations** currently in circulation. Pennies are mainly composed of copper and plated zinc. Nickels, dimes, and quarters are all partly made of nickel. Other coins, like the half-dollar and \$1 coin, are produced as collectibles but can still be accepted as legal money. Any US note or coin that the Treasury no longer makes is still considered viable currency.

To combat counterfeiting, both the US Mint and the BEP have security features implemented into the designs of their coins and notes. These include the tough-to-replicate small ridges on quarters and dimes, among other features—more on [those](#) and [other anticounterfeiting measures here](#).

Money Supply

One of the main purposes of the Federal Reserve—the central bank of the US—is to monitor the economy’s health. Tracking the **money supply**—the total sum of money circulating in the US economy, including both currency and electronic funds—helps with that goal.

In 2023, the US money supply was slipping at its **fastest rate since the 1930s**, thanks to changes in federal policy and rising interest rates.

—Phoebe Bain, 1440 Business & Finance Section Editor

The gold standard – explained

Throughout most of the 1800s, US currency was backed by silver and gold. In post-Civil War America, the government moved to use only the gold standard. This was how US currency was backed until 1933, when President Franklin D. Roosevelt got rid of the gold standard. Read this explainer on the gold standard and its history in the US to [learn more](#).

Cash in the trash

Thanks to the decline in cash payments, all that pocket change is ending up in the trash—up to \$68M of it every year. Waste facilities and TSA say they collect thousands of dollars of discarded money per year. A Wall Street Journal reporter visited a waste facility and learned what you can do with your extra change. [Listen to the episode here](#).