

US Postal Currency

(With US Fractional Currency)



Panic Hoarding of coins in 1861, US Civil War years

(Much like the panic buying of toilet paper during the COVID crisis)



- In December 1861, US banks stopped exchanging paper money for coin (silver & gold). The value of coins soared, which led to coin hoarding
- A premium of 10 to 12 per cent was offered for coins
- The single US mint in Philadelphia could not meet demand for new coinage
- Making change became a major problem for everyday transactions – change sometimes had to be accepted in form of commodities such as corn, potatoes, or eggs
- Small change was a lot of money: 5 cents would buy a glass of beer and a lunch

Merchants created “Shinplasters” for change



- Merchant “tickets,” metal tokens or anything having any apparent value were used to make change
- Notes of small value created by merchants or individuals were called “shinplasters” (term from Revolutionary War when Continental Currency had become almost worthless)
- Private notes were practically worthless to most people as they could only be redeemed by the firm or individual that created them

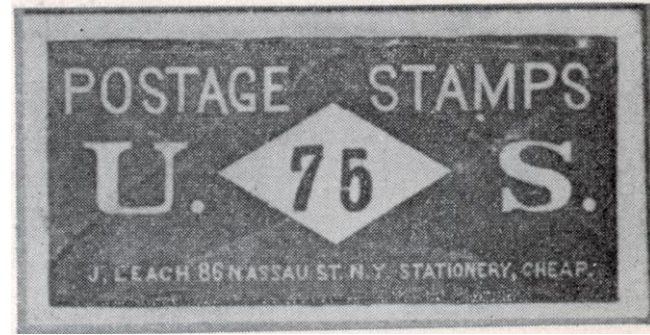
Postage stamps became a de-facto currency



Issue of 1861-1862. Scott 63-72: 1¢, 3¢, 5¢, 10¢, 12¢, 50¢, 90¢

- Naked stamps themselves were next turned to as a relief from the lack of coins
- Of small size, the stamps were easily crumpled, and their glue made them sticky and easily soiled
- The Post Office could not meet the demand for stamps

Merchants created their own “Postal Currency”



- Merchants used US postage stamps affixed to coupons or in envelopes
- Stamps enclosed in envelopes stuck to each other, and the envelopes became torn, so this substitute for coins became unsatisfactory

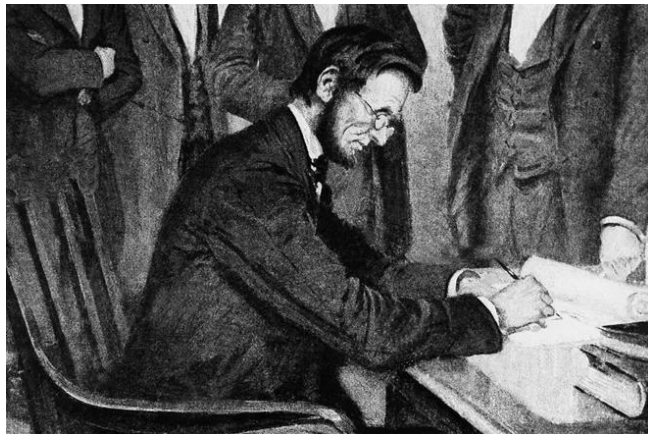
Free Enterprise comes to rescue!

ENCASED POSTAGE STAMPS



- On August 12, 1862, John Gault was issued a patent for a “Design for Encasing Government Stamps” to be used as a equivalent for currency.
- Postage stamps were wrapped around a cardboard circle and show through a thin mica covering
- Brass backing was suitable for advertising
- Of the 750,000 pieces sold, only 3500-7000 are believed to have survived for collectors
- Scott catalog lists EP1- EP181 (Encased Postage), ranging from \$400 to \$25,000 in catalog value

The Federal Government Takes Action!



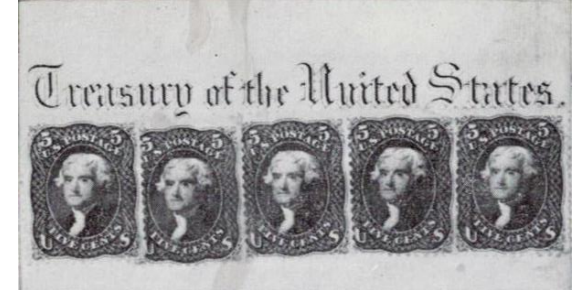
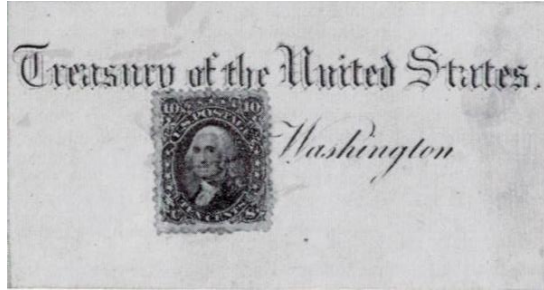
- Acting on a proposal by Treasury Secretary Salmon Chase, Abraham Lincoln signed on July 17, 1862, a law authorizing the issuance of postage stamps as circulating change, effective August 1, 1862
- Stamps were to be redeemed for United States notes for sums equal or greater than five dollars
- “No private corporation, banking association, firm or individual, shall make, issue, circulate, or pay any memorandum, token, or other obligation for any less sum than one dollar...” under threat to “ be punished by fine not exceeding five hundred dollars, or by imprisonment not exceeding six months.”
- The Law effectively freed commerce from the flood of “paper trash” as mediums of exchange
- John Gault’s business of ‘Encased Postage’ was stopped in its tracks

Squabbling between the Post Office and the Treasury



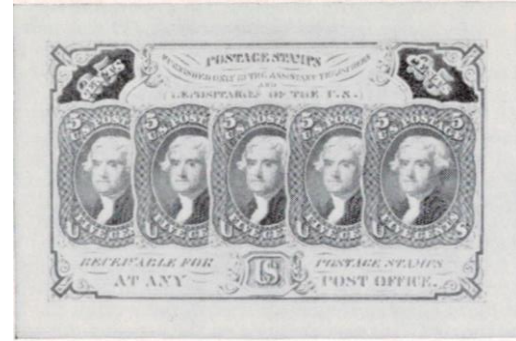
- Supplies of postage stamps became exhausted after enactment of the Postal Currency Law, and Postmaster Montgomery Blair was irritated as he wasn't consulted beforehand
- At first, Postmaster Blair refused to sell more postal stamps as money, and he refused to redeem postage stamps for money as they quickly became unfit for circulation
- IRS Commissioner George Boutwell was dispatched to resolve the issue with Blair, and they came to an understanding that Treasury would issue specially marked stamps that the post office would accept as postage

Postal Currency Notes Take Shape



- Treasury Secretary Francis E. Spinner started sketching the beginnings of the postage-stamp “hybrid,” the Postal Currency “note.”
- Spinner experimented with several designs, cutting and pasting stamps sent down from the Post Office on Treasury security paper.
- Paper was to be ungummed
- Designs evolved in the heading from “Postage Stamps” to “Postage Currency”

Artist's Model Designs of Postal Currency



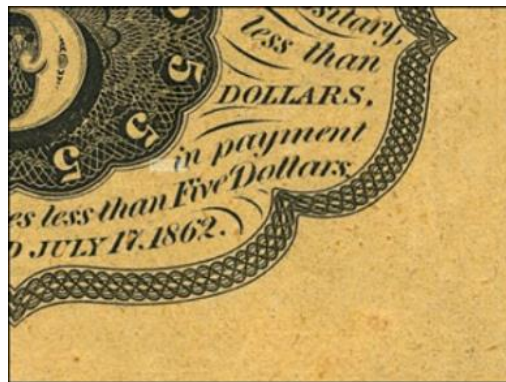
- Each design was unique
- The transfer rolls for the postage stamps of 1861 were used to lay down the multiple values on the obverse of the Postal Currency

First Issue of Postal Currency: 16 Varieties



- Issued August 21, 1861, a mere 35 days after the Postal Currency bill was signed
- Time was of the essence, and so printing was shared by the American Bank Note Company, which printed the reverse, and the National Bank Note Company, which printed the obverse
- Splitting up of printing between the two firms was also a safeguard to prevent wrongdoing by individuals
- In the first months, sheets were perforated like stamps and were sold to banks and to the public in sheets. However, perforating machine could not keep up with demand, and imperforate sheets were produced to be cut by scissors.

Scott Designations of the first issue



- Scott PC1-PC8 designate Postal Currency that was printed by both the National Bank Company (obverse) and the American Bank Note Company (reverse, designated by “AB Co” imprinted on the reverse lower right)
- Scott PC1-PC4 designated perforated versions, while PC5-PC8 designated imperforated versions
- Scott PC9-PC16 was printed entirely by the National Bank Note Company, with no imprint on the reverse lower right.
- Scott PC9-PC12 designated perforated versions, and PC13-PC16 designated imperforated versions
- Scott catalog values range from \$85 to \$750

Five issues of Fractional Currency Produced, from August 21, 1862 to February 25, 1875

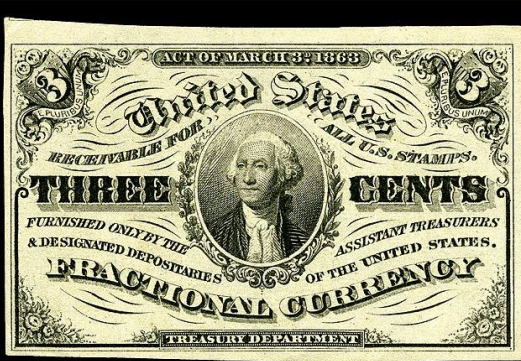


- The new Act of March 3, 1863, provided that the Treasury Department, and not the Post Office, issue fractional notes, which changed in name from the second issue from “Postal Currency” to “Fractional Currency”
- Technically, the first issue of “Postal Currency” was not initially “legal tender,” as it was not issued by the Post Office but by the Treasury, but was rendered legal by this new Act
- Anti-counterfeiting measures were introduced with the second issue, such as the bronze oval frame around the bust of Washington
- The total value of all fractional currency notes was \$368,720,079.51
- Postal Currency and Fractional Currency remain **LEGAL TENDER** to this day!

Second issue, 5¢ note

Denominations of notes

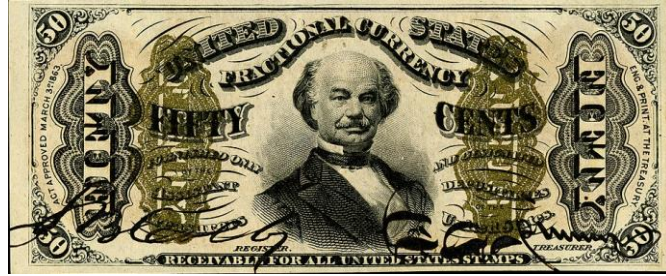
- 5¢, 10¢, 25¢ and 50¢ notes were produced for the issues, with the exception of a 3¢ note in the third issue, and a 15¢ note in the fourth issue
- One could exchange quantities of notes not less than \$5 for “United States notes” (greenbacks of higher denominations), except beginning with the fourth issue this minimum amount was reduced to \$3
- One could not pay customs dues with fractional currency
- In April 1876, Congress passed an act that allowed Fractional Currency to be redeemed for silver coins.



The Fractional Currency Big Scandal



Third Issue. Spencer Clark, Superintendent of National Currency Bureau



Third issue, Francis Spinner, Treasurer of the United States



Specimen, cancelled issue of Generals Sherman & Grant

- Spencer Clark, head of engraving, decided to place himself on the 5¢ note of the third issue
- Different historical accounts relate how Clark then conspired with his boss, Francis Spinner, to also place his portrait on the 50¢ note
- Congress was outraged and passed a law prohibiting portrayal of any living person on federal coins or currency
- On the date of passage of this new law, plate proofs of the new 15¢ note depicting the living Tecumseh Sherman and Ulysses Grant had been completed. Only specimen copies of the issue were produced, and the issue cancelled.