

Money of the U.S. Civil War



These "greenbacks" are part of the first permanent series of federal paper currency.

UNION PAPER MONEY

To finance the war, Congress authorized on July 17, 1861 — for the first time in its history — the issue of notes payable "on demand" in gold at Treasury repositories. The public, however, quickly redeemed these notes and hoarded the gold, thus worsening the government's financial woes. To help relieve this financial catastrophe, Congress passed the Legal Tender Act on February 25, 1862, authorizing "legal tender" notes. The backs of the demand notes and legal tender notes were printing

using green ink, resulting in the slang term "greenbacks" as reference to our nation's paper money. In 1863, the Union introduced Compound Interest Treasury Notes, which gave the bearer a premium. Although these notes were "legal tender," they were typically held as investments and seldom circulated.

ENCASED POSTAGE STAMPS

During the Civil War Americans began hoarding any money of intrinsic value. Although this included all denominations, smaller ones, particularly cents, disappeared from circulation.

The first attempted solution was to circulate postage stamps with a set value. Unfortunately, they were made of flimsy paper and had a very short lifespan. In 1862, the enterprising Bostonian John Gault patented a small brass encasement for the stamps. A clear mica sheet provided protection and allowed visibility of the stamp's denomination. A merchant's advertisement was often placed on the reverse side. This encasement cost merchants money, however, and they sought a new, cheaper, solution to the coin shortage.



c. 1861: 3 cent encased postage stamp – Ayer's Sarsaparilla



February 17, 1861: \$50 Confederate note

so many notes that they became worthless. Inflation soon ballooned in the South, a factor which contributed to its eventual defeat. The Confederacy also struck half dollars by hand but, lacking bullion, they were never minted on a large scale. Since the New Orleans Mint was in Confederate territory, however, a small number of 1861 half dollars were actually minted during the war. An order for cents was placed with a Philadelphia die-sinker, but the man, fearing arrest by the Union, never delivered the coins. Thus, the South never produced a regular circulating coinage of its own — a testament to its lack of financial resources.



Officers of the 55th Infantry at Fort Games



July 17, 1862: 5 cent fractional note

FRACTIONAL CURRENCY

In July 1862, the federal government began printing small-sized notes in denominations less than a dollar. Initially, these notes pictured postage stamps (They were meant to replace the stamps in circulation.)

This "postage currency," or "fractional currency" as it was later called, helped to alleviate the coin shortage. Unfortunately, this currency was only issued in denominations from 3 to 50 cents, thus doing nothing to end the shortage of one-cent pieces.



March 3, 1863: 5 cent fractional note