

Lesson Plan 120

How the Civil War affected Cash, Coins, and Commerce

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A. Briefly explain the start of the Civil War and impact on Money. (Not intended to be a discussion on states rights, slavery, or other political issues)

1. The war officially started in April 1861 when the South fired on Fort Sumter. But tension had been building for several years. People thought war could happen at any time. States began seceding from the Union in 1860 after Lincoln was elected. The war lasted until April 1865.
2. People weren't sure which side would win, what countries would exist, and what coins or currency would remain valid. Initially it was estimated the war would last at most 3 months or so, it actually lasted 4 years
3. Once people realized the war might go on for a while they started hoarding gold and silver coins. As the war went on even longer they started hoarding copper coins as well. Most coins had disappeared by the end of 1862.
4. Merchants had trouble making change and doing business.
5. Prior to the war, the US did not issue currency but left that to the states. That created problems as currency in one area might not be accepted in other areas.

B. What the North did.

Coins

1. Some merchants and towns tried issuing scrip – easily duplicated and only usable for the store it was made for – similar to a “good for” token.
2. Tried using postage stamps as change for a while. Not very durable. Even when they were encased the cost of the encasement made them not economically viable except when put out by advertisers. This also caused a shortage of stamps for postal use.
3. Allowed (for about 1 year or so) private diesinkers to make cent sized (mostly, but some were larger) Civil War Tokens that circulated as cents. Collecting tokens and medals was very popular at this time period so the companies were already in place and able to react to the needs of the merchants. Over 25 million made with 8500 distinct types. These were made illegal by Congress in 1864. Two general categories of CWTs are:
 - a. Patriotic (designated by die numbers of obverse and reverse)
 - b. Store Card (designated by state, city number, and variety)
4. In 1864 because of the success and acceptance of the CWTs the planchet of the Indian Head cent was changed to the thinner size used for CWTs and was also changed from Copper-Nickel to Bronze.
5. Also in 1864, the first two cent coin was struck and it was the first coin to have “In God We Trust” on it.
6. In 1865 the first 3 cent coin was struck. Why 3 cents? That was the cost of a stamp.

Currency

1. Beginning in 1862, the North produced small paper notes in denominations of 3, 5, 10, 25, and 50 cents. Originally called Postal Currency (as they pictured stamps) it became Fractional Currency. These proved popular and were issued through 1879. There was a lot of counterfeiting of these notes so the designs were changed frequently. There are a total of 23 different designs of Fractionals.
2. In 1861 the North issued Demand Notes (\$5, \$10, &\$20) which could be redeemed for silver at a future date. The backs of these notes were printed in dark green giving rise to the term “greenbacks”.
3. For the first time in 1862 the US issued Legal Tender notes, meaning it was not backed by or redeemable in gold or silver. By the end of the war they were at most worth only 75% of face value.
4. Beginning in 1863 (and continuing into the 1920’s) was the issuance of National Bank Notes. See Lesson plan on Post Civil War currency for more information.

C. What the South did.

Coins

1. The CSA took over several of the mints (New Orleans, Charlotte, Dahlonega) and made US coins until raw material ran out. But really only the New Orleans mint made silver coins, the others were for gold.
2. So New Orleans made Over 2 million 1861 US design half dollars until the raw material ran out.
3. Only 4 CSA design half dollars were made and none circulate
4. They tried to get a die for cents but the manufacturer was from Philadelphia and ended up refusing to send the dies south. 16 CSA design cents were made. Restrikes were made in 1874 and 1961.
5. So the south really had no coins of its own and so had to use paper.
6. When US coins circulated they were considered more valuable than comparably valued CSA paper.

Currency

1. The CSA printed its own currency and issued bonds. They kept on printing as inflation devalued the notes. Their currency was not backed by silver or gold. The bonds were well received by the English government and businessmen as that country sided with the South due primarily to cotton they needed for their mills.
2. Individual States also printed their own currency including fractional currency and issued bonds to raise funds. Most currency was hand signed and printed on one side (uniface). However, you will find some notes that have been printed over previously printed notes since only one side was used and paper was scarce.