Yesterday in U.S. Stamp News:
Currency & The Post

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(From *U.S. Stamp News*, May-June 2001)

Pieces of Eight and Postage Rates

The U.S. Mint was established by law on April 2, 1792.

"All the gold and silver coins which shall have been struck at and issued from the said mint, shall be a lawful tender in all payments whatsoever; those of full weight, according to the respective values here before declared, and those of less than full weight, at values proportional to their respective weights."

To ascertain the true value of an American coin, therefore, one had to weigh it. Not only were coins diminished in weight by the friction of wear, they were often lightened unlawfully by filing, clipping, boring, sealing and sweating. There were other problems, too. As Robert J. Stets described it: ["Early Postal Rates and The First U.S. Mint" Stamps November 4, 1967, page 236]:

> *Unfortunately…the gold and silver coins rapidly left the country, because Congress had incorrectly valued them. Brokers shipped the gold coins to France, where they received in exchange for them, a greater amount of silver than that which they had to pay for the gold coins in the United States. Although the United States silver dollar did not contain as much silver as the Spanish silver dollar, in the West Indies the two were readily exchanged on an equal basis.*
>
> *Enterprising brokers therefore shipped United States dollars to the West Indies, exchanged them for Spanish dollars; shipped the Spanish dollars back to the U.S., and delivered them to the U.S. Mint, to be recoined into U.S. dollars. Because of the difference in silver content, they received from the Mint more U.S. dollars than the number of Spanish dollars delivered to the Mint!*


1795 Liberty "flowing hair" U.S. Silver Dollar

In order to prevent operating the U.S. Mint for the benefit of the brokers, coinage of silver dollars and gold eagles was suspended in 1804.


1776 Spain Carlos III Silver Dollar

The first American coins were the gold eagle, half eagle and quarter eagle; the silver dollar, half dollar, quarter dollar, dime and half dime; the copper cent and half cent. The law of 1792 did not outlaw the use of foreign specie, but it was mistakenly assumed that what was already in circulation would be used for a short period and then be replaced by U.S. coins. The only foreign coins which remained legal tender were Spanish dollars (a doubloon was worth two Spanish dollars, or 16 pieces of eight) and their broken parts (reales, or pieces of eight). One reale equaled 12-1/2 cents (so that 'two bits' was the same as a quarter dollar). A half-real, or medio, was worth 6-1/4 cents.

A Congressional document drafted by Senator Nathan Sanford in January [Senate doc 19 (21-1) 11 Jan 1830; Sanford, born in 1777, was a Senator from New York, and had been a leader of the Tammany faction of the Jeffersonian Republican Party in 1802] and seeking to make American coinage the sole legal tender, explained where all the Spanish coins in circulation in the United States originated:

> *Our great supply of Spanish coins has always been derived from the American countries formerly Spanish and now independent; and the Spanish dollar and its parts now current in this country, were coined by the mints of Mexico, Peru and other American countries, while those countries were subject to the domination of Spain. Since those countries have become independent, they have instituted new coins for themselves: and though their coins are in some respects formed*

upon the model of the Spanish dollar, they deviate variously from that example; and the devices and external marks of these coins are entirely different from those of the Spanish dollar.

Few or none of the Spanish coins now in this country, have been fabricated within the last fifteen years; a very large portion, probably one half of them, had been fabricated and were in use, before the year 1792, when our mint was established; and nearly all of them have been in use, during various periods, from twenty to one hundred years.

Postal historians should be able to immediately see the relationship between the postal rates of 1825 and the Spanish coinage.

Single letters sent:		**U.S. Specie**	**Spanish Coin**
30 miles and under	6 cents	5 + 1	not payable
31 to 80 miles	10 cents	10	not payable
81 to 150 miles	12-1/2¢	10+1+1+1/2	1 real
151 to 400 miles	18-3/4¢	not payable	1 real + 1 medio
over 400 miles	25 cents	25	2 reales

The change to look at is the 18-3/4 rate. The first rates of 1792 stipulated 15 cents for a letter traveling 150 to 200 miles and 17 cents for one 200 to 250 miles. In 1799 a rate change went into effect of 17 cents for a letter over 150 miles and not exceeding 300 miles. In 1816 the zone distance was extended to 400 miles with a rate change to 18-1/2 cents. Considering the general lack of U.S. specie, this rate, which required up to seven coins, must have been difficult to pay. The 1825 increase of 1/4 cent meant that only two Spanish coins were needed, a real and a medio.

Amos Kendall tried to simplify postages in 1836: up to 75 miles 5¢; up to 150 miles 10¢; up to 300 miles 15¢; up to 600 miles 20¢; and 25¢ for anything farther. He argued:

From its simplicity, this scale will be easily remembered. It proposes to introduce the federal currency, renders copper coins unnecessary in making change, *and saves the loss to the people arising from fractions. It will reduce the labor now required in making up and examining postmaster accounts about one quarter. [PMG Report 1836]*

A curious rate without comment in law is a 6-1/4 rate appearing on covers 1816-1845, when the rate should have been 6, payable by U.S. coinage but not by Spanish. There were no half dimes minted between 1804 and 1829, necessitating payment in coppers—an arduous business. Postmasters probably rated letters 6-1/4 when they were taking in medios instead of cents in payment or pre-payment for the under 30 mile distance, or when they were assessing extra payment (see also page 5).

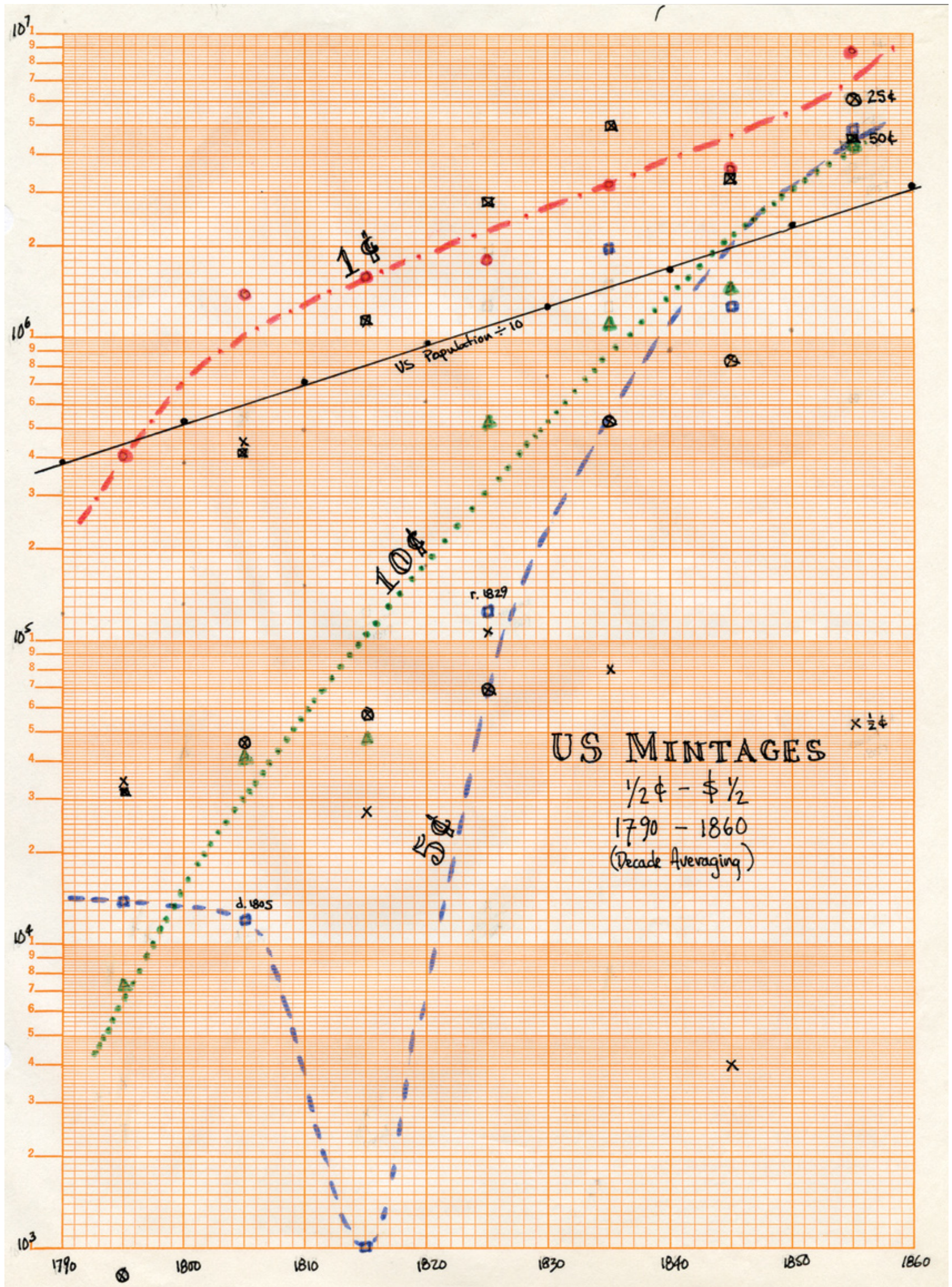
Folded letter with manuscript postmark: Yarmouth April 5 1828 [across the top], addressed to Ashfield and originally rated 12-1/2 to which 6-1/4 cents has been added to make 18-3/4 (upper right). Yarmouth is on Cape Cod; the postmaster probably thought the letter was headed for Ashfield, Mass., which is in Franklin County, about 145 miles away, which would be rated the 12-1/2 cents. However, it's likely that it was going instead to Ashfield, Pa., in Carbon County, more than 350 miles away and requiring the 18-3/4 cent rate. Only a medio could make up the difference, assessed on arrival.

If a customer did not have the requisite half-dime and cents (or cents only) to pay the 6 cent rate, but had a medio instead, it would have seemed only proper to record that extra 1/4 cent paid into Uncle Sam's pocket. (See chart, page 6.)

Folded letter with black handstamp URBANA O. Feb 17 [1836] addressed to London, Ohio, and originally rated 10, to which 6-1/4 cents has been added to make 16-1/4 (upper right). Urbana, Ohio, in Champaign County, is 26 miles from London in Madison County, necessitating only the 6 cent rate. For some reason the 10 cent rate for over 30 miles was assessed at Urbana. (There may have been some disruption of the mails in the area because the contract for the daily mail between Columbus and Cincinnati failed in early 1836 and was only re-established by a new letting in February. The weekly ancillary mails including one between Urbana and London were fed off this trunk route). The addressee, William Foos, was not found at London and a now faint manuscript marking was added (to the right of the circular date stamp): "Fd fr London Mar 4" and a 2 cent way letter charge was added to the 10 to make 12. Foos was apparently not found "on the way", and at the office where he was eventually found a 6-1/4 was penned on top of the 2 and 16-1/4 on top of the 12. The actual rate should have been 6 but Foos perhaps proffered a combination of a dime and a medio and the postmaster complied with the corresponding marking.

E.N. Sampson ["6-1/4 Cent Rate On U.S. Stampless", *Covers*, June 1966 page 12] noted fourteen covers, sent both paid and unpaid 1825-1845 with a rate of 6-1/4 cents. They originated from the old northwestern states and Florida, areas which were well separated from eastern commercial centers and from the Philadelphia mint. Sampson also points out that the 6-1/4 rate was used outside of the government postal system in Texas and by express companies.

The independent eastern express companies had a 6-1/4 cent rate in the 1840s for distances as great as New York to Boston. The Republic of Texas established



Graph showing the minting of the 1 cent, dime and half-dimes by the U.S. Mint, 1790 to 1860. The paucity of half-dimes from 1805 to 1830 is dramatic, leading—we suppose—to the evidence of a 6-1/4 rate corresponding to the more numerous Spanish medios, rather than the legal 6 cent rate requiring a half-dime and a penny.

a 6-1/4 cent rate for single letters sent up to 26 miles, effective from October 30, 1835 to December 18, 1837. The Republic also used a 6-1/4 cent ship rate. Alex. L. ter Braake ["The Texas Ship Rate of 6-1/4 Cents", *Covers,* May 1965, page 6] pointed out that, except for a few years, 6-1/4 cents added to other postal charges, carried single, double, and triple letters by ship from the Republic of Texas. This was particularly onerous for citizens of Galveston, which was surrounded by water. The Texas 6-1/4 cent rates were clearly designed to take advantage of the value of a Spanish medio. The express companies may have been charging that rate to make a little bit more on every transaction paid in American coins.

In an editorial of December 8, 1840, the *Troy Budget* of N.Y. argued:

As long as our national currency institutes no such coin as 12-1/2 cents, 18-3/4 do [ditto], it is our mind that there should be no such rates of postage …The rates, in all cases, should comport with the denominations of the coin of the United States.…In the first place, the American dime with two cents will not pay for a letter of 12-1/2 cents; and you are therefore compelled to pay more than is demanded by the law…or be at the trouble of procuring foreign coin for the purpose.…

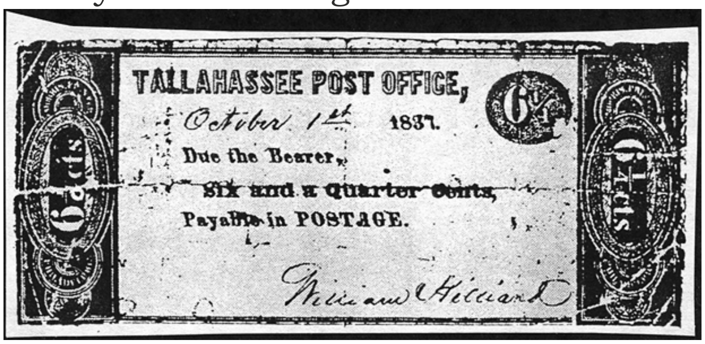
Of course, in most post offices, a charge account system worked well for regular patrons. Even if the quarterly total included a fraction, it would need but one or two foreign coins to correct the payment.

The Spanish medio was, in Louisiana, called a picayune (a word from Carib Indians)—the smallest coin available. The major New Orleans newspaper called itself the *Daily Picayune* because it charged this smallest amount. Other national newspapers, including the large New York dailies, also established their per issue price at 6-1/4 cents to correspond to the medio.

Foreign coins were finally taken out of legal circulation in 1857.

The 1837 Collapse of the Banks

In the 1830s, postal returns were significant to government revenue. How the payment from patrons reached the government was a serious matter. The bullion versus paper notes controversy reached a head during the Postmaster Generalship of Amos Kendall in 1837 and 1838. A national financial crisis led the banks to suspend specie payments on notes in May of 1837. Various forms of scrip, or shin plasters, proliferated. In at least one instance, in Tallahassee, Florida Territory, the postmaster issued scrip in denominations of 6-1/4, 12-1/2, and 18-3/4 cents, inscribed "Payable in Postage."



A 6-1/4 cent scrip note, Tallahassee, Florida Territory, dated October 1, 1837. "Payable in Postage." [illustration, page xix of the American Stampless Cover Catalog, Vol. I, 1997.]

At the federal level, the Bank of the Metropolis refused to redeem notes of the Post Office Department and in turn seized both general and special deposits of moneys in the Treasury to meet alleged claims. Ordinarily, the U.S. Government paid contractors, mail carriers among them, in gold or silver. Hence, postage had to be similarly paid. Kendall battled directly with the Bank of the Metropolis, and immediately moved to safeguard the postal revenues.

At the time, about 900 post offices were required to deposit their proceeds in banks. On May 12 and 13, 1837, Kendall sent these postmasters a circular: "You will, until further orders, retain the proceeds of your office in your hands in specie, to meet the drafts of this department."

About 10,000 postmasters paid their proceeds directly to contractors. A circular went out to them on May 16, 1837, reminding them that rates of postage were based upon the legal currency of the U.S., and quoted from the printed laws and regulations: "You will receive nothing but specie, or its equivalent, for postage....All payments to the department, whether upon its drafts, or by deposite in bank, must be in specie, or its equivalent. No allowance can be made to postmasters for the depreciation of money received for postage, nor for losses by fire, robbery, or theft." [S doc 65 (25-3) 9 Jan 1839].

The strictness of specie payment wasn't popular, and citizens began to petition Congress. In June 1838 [H rep 1019 (25-2) 27 June 1838] a group from Virginia alleged that while their postmasters had to pay contractors Stockton, Stokes & Co. in specie, the same contractors were "flooding the whole land with their shin-plasters, redeemable only in bank notes or stage fare." [The contractors had already received additional compensation for mail contracts 1201, 1389 and 1390 on routes from Washington and Baltimore to Wheeling, for "increased expedition... extra horses and postillions...increased weight of mails.] Kendall replied that no citizen was required to take 'shin plasters' in payment of debts and that the government was powerless to require banks to honor their paper currency. Not particularly helpful, but Kendall believed that a strict adherence to paying debts both public and private with specie, or notes completely backed by specie, was the secret to ending the national financial crisis.

As Kendall had said in a report to the President in September 1837:

Upon the suspension of the banks, efforts were made in some quarters to compel the Department to receive irredeemable and depreciated paper for postages. Law, justice, and public policy, required an inflexible resistance of these efforts. Gold and silver are the only constitutional and legal currency of the United States, and nothing but that currency, or its equivalent, can be legally offered to the public creditors in payment. All taxes and postages are imposed in this currency, and all contracts are made upon its basis. The public faith could be kept, and the public business successfully carried on, only by a strict adherence to the plain letter, as well as obvious spirit, of the law.

Kendall explained that, although banks could be convenient, they were not necessary to the collection and disbursement of postal revenues. On interior mail routes, the expenditure was usually greater than the income, so that after the contractors received the entire quarterly revenue of the offices supplied by them, they were still owed money. These balances were readily paid off by drafts on postmasters where there was a surplus—usually at large offices (like New York) at the hub, or terminus, of smaller routes.

Civil War Contingencies

Kendall's probity stood the Post Office Department in good stead. The introduction of postage stamps in 1847 was, in effect, a scrip backed by specie—promising not only to provide a service but also standing for a particular unit of coinage.

As war approached in 1861, Americans began to hoard cash and small coins disappeared from circulation. Merchants responded to this in several ways to make sure their business wouldn't suffer. They issued notes of credit, promises to pay, tokens that looked like coins, store cards, etc. U.S. Treasurer Francis E. Spinner came up with the idea of substituting for small currency with postage stamps—affixed singly and in multiples to Treasury paper. He arranged with the Post Office to replace worn stamps with new when necessary.

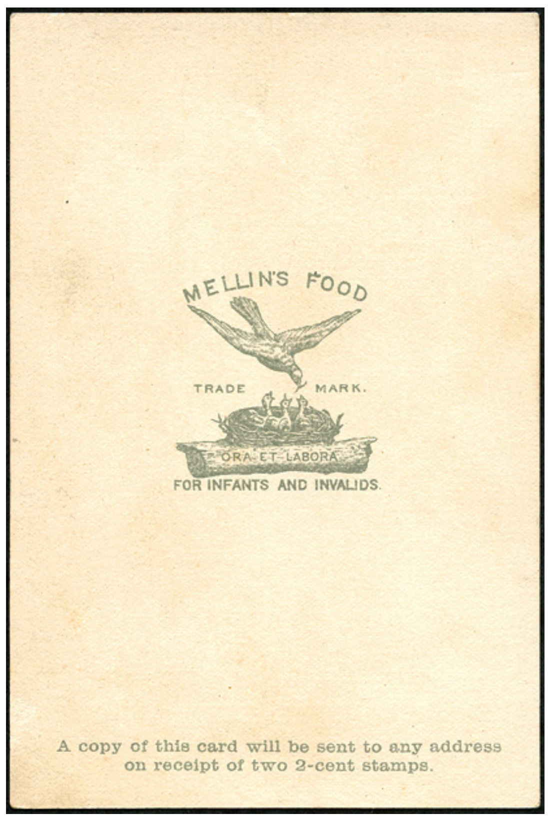
On July 17, 1862, Congress authorized the issue of "Postage Currency"—which was Treasury paper printed with postage stamps. It was not money, but a means of making stamps negotiable. This currency remained in use until 1876 when Congress authorized the minting of silver coins to redeem the outstanding fractional currency.

Two types of Postage Currency were issued August 21, 1862 to May 27, 1863. In both the front was engraved and printed by the National Bank Note Co. In one, the back was engraved and printed by The American Bank Note Co. ("A B Co.") and in the other the back was printed by the Government. There are differences as to which show an inverted back of the stamp in a particular denomination.

The four denominaions of Postage Currency, all fronts engraved by the National Bank Note Co. with regular back printed by American Bank Note Co.: 5¢ perforated, Sc. PC1; 10¢ imperf, Sc. PC6; 25¢ imperf, Sc. PC7, front and back (with "A B Co." lower right); and 50¢ imperf, Sc. PC8.

Both types were issued with perforated edges, perf. 12, and with imperforate edges. For the 5 and 10 cent denominations, the stamps (Jefferson in brown and Washington in green) were printed singly. For the 25 and 50 cent denominations, the 5 and 10 cent stamps were engraved overlapping one another, five in a row, respectively.

After 1876, businesses still occasionally asked for small payments in postage stamps—a light, easy, method of transferring sums through the mail. The Post Office Department did not encourage this, but it was convenient especially for those whose large business correspondence easily absorbed the unorthodox payment. (See page 12)



Circa 1880 chromolithographed trade card for Mellins Food. Doliber, Goodale & Co. of Boston advertised on the back that they would send a copy of the card to any address for two 2-cent stamps. One would be for postage, the other for payment.