

Yesterday in Mekeel's:

United States Postage Currency

by Albert W. Hocking (*From Mekeel's Weekly, March 7, 1938*)

Stop and ponder with me a moment on the importance of the small change which you have in your pocket. Should there suddenly be no metal currency, and all your minor transactions had to be made by way of paper dollar exchange medium, you would find yourself in the position of the citizen of the United States during the early months of 1862.

How would you like to go to the store after the proverbial spool of thread, give the shopkeeper a dollar bill, and receive as change four street car tokens, a few copper tokens similar to our pennies, several milk checks, such as are used to return bottles for deposit when emptied, and to make up the larger part of your return change, receive a piece of cardboard upon which is pasted five ten cent stamps? If you are a true philatelist you probably would examine those well worn ten cent stamps. But in case you should object to such returns from your dollar bill, your friend the storekeeper would reply, "My personal note for ninety cents is the only alternative I have. We have had no metal change for several weeks. The war has caused nearly everyone to hoard their metal coins."

Such conditions were quite common in 1862 during the Civil War in the United States. Almost any conceivable article of small size and some apparent exchange value was put to use as money. As a medium of exchange, as long as it was mutually acceptable, it served as money. Metal tokens similar to pennies were privately minted. These took the place of pennies, being the same size and general appearance. A collection of metal tokens is not difficult to gather together, even today, some seventy-five years after their coinage. Some of them were patriotic mottoes such as "OUR ARMY AND NAVY", "OUR COUNTRY", coats of arms, and advertising. One particularly intrigues me with its bold statement—"NOT ONE CENT." Another announces it is a "STORE CARD" on its face and on the reverse FREEDMAN & GOODKIND, 171 Lake Street, Chicago." Coin collectors have classified and listed hundreds of these tokens. They form a collection in themselves.

It is hard for us today to imagine such articles as milk bottle caps, street car tokens and transfers, and merchants' promissory notes for small amounts (redeemable in merchandise) passing as change in the regular course of business. But such was the case, and it is little wonder that postage stamps were soon pressed into use for change, since they were of a convenient size and had an unmistakable value. And out of the use of postage stamps as money, used singly and in multiple pasted on cardboard, emerged Postage Currency.

Few stamp collectors are aware that at one time the United States had fractional paper money upon which appeared the likeness of the then current postage stamps, either singly or in multiple, to make up the face value of the note. I know of no other instance of this unusual combination of currency and stamps so combined. Several countries have printed their post-



Two 1¢ blues, Sc. 63, and one 3¢ Rose, Sc. 65, on a 5¢ fractional currency note from William Newton & Co., dated July 24, 1862.

age stamps on cardboard with the intention that they be used for currency during a shortage, and I have seen encased postage stamps from Germany which compare with our own encased postage stamps of 1862. Norway has also issued encased postage stamps with a metal rim and cardboard backs and advertising. Russia issued three varieties of postage stamps in 1915 on thin cardboard intended for use as money with inscriptions printed on the backs so stating. They were perforated 13-1/2 but were not gummed. These stamps were valid as postage as well. These are the only examples I have found which have official recognition in Scott's Catalogue, Russia Nos. 105, 6 and 7. Naturally the encased stamps are not given official recognition because they are the regularly government issued stamps privately encased, the advertising defraying the cost of the case. But our Postage Currency of 1862 seems to be unique as being an officially authorized currency with a facsimile of a stamp or stamps on its face. Engraved on the face of the notes is "Postage Currency. Receivable for Stamps at any Post Office" and



Front and back of 1862 50¢ Postage Currency, Sc. PC4



1862 5¢ Postage Currency, Sc. PC1

on the backs, “Exchangeable for United States Notes in sums of not less than Five Dollars” and “Receivable in payment of all dues to the U. States less than Five Dollars”. It was clearly a substitute for money, sort of a coupon with which one could buy stamps at the post office, so why not buy anything else with it that one pleased?

The theory advanced by our histories of money and banking of our nation as to the cause of the disappearance of metal coins is quite complex. The government borrowed its money from the banks to run the war, hoping the money would complete the cycle from the banks to the government, to the war materials manufacturer, to the workman, to the tradesman, and back to the banks again. This cycle took too long, a shortage of money was noticed on the market, confidence in paper money was shaken, and metal coins disappeared from circulation. Some historians place a different light upon the disappearance of the metal coins. Upon the breaking out of the War of the Rebellion, all of the gold, silver, and copper coins in circulation in the United States disappeared as if by magic, to the extent of many millions of dollars in a comparatively few days. The cause of the disappearance was due to the desire of the timid to save something of actual value from the threatened wreck of the Union, and on the part of the avaricious to hoard up that which is sure to bring a large premium in the future. An unusual example of how seriously coins were hoarded is that of a house in New York City in which so many copper pennies were stored that the floors collapsed. As early as July of 1862 the newspapers of the country noted the disappearance of small coins. Extracts from a few will suffice: *The Indianapolis Daily Journal*, “Small Change: The scarcity of silver embarrasses our business men, especially retailers, to such an extent that various expedients have been resorted to to overcome this evil.”

The New Albany Ledger of July 18, 1862: “Change: This article was a little more plentiful in the market this morning than for some days past. We believe that if our citizens would sternly set their faces against the practice of trading in silver change it would soon become sufficiently plentiful for ordinary purposes. If, however, the practice of buying and selling change is continued, and shin plasters are once resorted to ‘we shall never see another five cent piece again, at least until the War is over. Let the speculators receive no encouragement.’”

Relief was first afforded by mere promissory notes of one cent up, redeemable in merchandise. Then the metal tokens ap-

peared, street car tickets, milk checks, and anything of apparent value and of small size, and so, to postage stamps.

Postage stamps were used to make small change, first just stamps, and later pasted on cardboard to make them more durable. The New York Central Railroad issued change in the form of postage stamps enclosed in a small envelope. General F. E. Spinner, then Treasurer of the United States, is credited with the idea of pasting stamps in multiple upon a piece of cardboard to make convenient amounts of change such as twenty-five and fifty cents. About this time there appeared the encased postage stamp. John Gault of New York City patented the idea on August 12,



1861 10¢ in J. Gault Encased Postage, Sc. EP97

1862. The encased stamp was a small brass disc-like case with a mica face, enclosing a stamp, with an advertisement embossed on the back. The advertising found on these encased stamps were mostly hotels and vendors of patent medicines and drugs, although the list includes dry goods, foods and life insurance. I have in my collection an encased postage with the advertisement of the inventor. It reads “Applications for Advertising on this Currency to be Addressed to Kirkpatrick & Gault, No. 1 Park Place N.Y.” “Pat. August 12, 1862” It encloses a three cent



Another Kirkpatrick & Gault Encased Postage, Sc. EP119, with an 1861-62 30¢.

1861 stamp. Another interesting variety, without advertising and quite different, is the brass rectangular case with a mica front, long enough to hold a strip of three stamps. It is known holding three 3-cent making a nine cent value. There were about two hundred varieties of the encased postage stamps issued. Every value of the 1861 issue of stamps are known so encased. They vary in price today from about three dollars to one hundred and fifty, according to scarcity and condition.

While encased postage stamps were quite interesting, they were never in sufficient quantity to be of much help to fill the needs. Mr. Spinner sponsored a plan of renewing or trading in

worn postage stamps for new ones at the post offices. The Post Office Department and later Congress authorized this privilege officially. Congress also authorized the use of postage stamps for money. There were two reasons for the failure of this plan: first, the stamps were too easily damaged, being on thin paper, perforated and gummed, so they needed renewing too often. Secondly, the Post Office Department had no time to prepare for the sudden demand and so could not supply the stamps, making a serious stamp shortage in our large business centers. The New York City Post Office was called upon to furnish five times its usual stamp demand.

When these failures were brought to the attention of Congress, Mr. Spinner recommended the possibility of printing postage stamps on more durable paper and of a larger size, for use as money. These were to be negotiable only in small amounts. So, on July 17, 1862, Congress authorized the issuance of Postage Currency in five, ten, twenty-five and fifty cent denominations. They were issued first on August 21, 1862, and continued in issue until May 27, 1863, and were common in circulation along with later fractional currency until 1876. At this time coins were again minted, and these rapidly replaced the fractional paper money.

The philatelic characteristics of Postage Currency are very interesting. The first examples were issued perforated, most of them perf. 12 as were the stamps of the period. A few were issued perf. 14 and perf. 16 probably experimental, or by the temporary use of additional perforating machines during peak production. The five cent value has the facsimile of the five cent value stamp for the central design of the face of the note. The note is printed in the same brown color as the five cent stamp. Similarly the ten cent note has the ten cent stamp for a central design and is in the color of the ten cent stamp. The very



10¢ Postage Currency, Sc. PC2

unusualness of the two higher values make them unique to me. The central design of the face of the twenty-five cent stamp is five five cent stamps shown slightly overlapping one another, printed in the stamp's natural color, brown. Similarly the fifty cent variety is in green and shows five ten cent stamps similarly placed. This idea was copied from the previous usage of actual postage stamps so placed in multiple on cardboard to make up these amounts in change.

The impressions of postage stamps needed to make up the

plates to print Postage Currency were taken from the transfer rollers used to make the plates for the stamps of the period, by the National Bank Note Company. This company then held the contract to produce our postage stamps. Oddly, no one company was entrusted with the printing of one complete postage currency note. The faces of the entire issue were printed by the National Bank Note Company, but the backs were first printed by the American Bank Note Company and later by the Bureau of Printing and Engraving. The difference may easily be told at a glance, since the American Bank Note Company's back may easily be identified by their monogram plainly visible on every note they printed. There is no mark showing for the Bureau's work. The only possible reason for not permitting any one company to print a complete note was to prevent any one company from making more money than they turned over to the government. Since the American Bank Note Company held the transfer rollers for the stamps, they were the logical company to produce the face of the notes. The splitting up of the work of making plates and printing the notes probably speeded up production. Only a matter of thirty-five days elapsed between the enactment of the bill by Congress and the appearance of the first Postage Currency. The earlier Postage Currency all have the ABNCo. backs and the later ones are all Bureau of Printing backs. I find no recorded reason for the change. Possibly the government officials felt uneasy about having private printers producing our currency.

Postage Currency has an error possibility not to be found in ordinary postage stamps—inverted backs. This error occurs when the back of the note is printed upside down with respect to the face. Such an invert is not noticeable when a note is examined singly, but only shows up by comparison with the normal variety. While I was attempting to complete my collection of Postage Currency I purchased almost every sound copy offered me for study and comparison. After a tour of several Chicago stamp and coin shops, I found I had several of the commonest five cent notes. I paid about an average of thirty-five cents apiece for them. When I had time to compare them carefully I found that one of them came up inverted every time I turned them all over, starting with all the faces the same way up. I felt like I had just discovered another inverted flag on a thirty cent 1869! In reality I had discovered a rarity and experienced the thrill of discovery.

Scott's Specialized Catalogue lists sixteen varieties of Postage Currency. A check list by Mr. Geo. H. Blake lists twenty-live varieties. I am going to combine the two listings as Scott will probably do in the future, when all the odd ones are verified. All the five and twenty-five cent notes were printed on a yellow-brown paper, and the ten and fifty cent notes on a white paper except one error...

The imperforate notes were printed in sheets of twenty notes, four notes wide by five high. It is not uncommon to find several notes unsevered. Large quantities of the notes must have been distributed in complete imperforate sheets. I have acquired an uncut pair and a strip of three and it is my ambition to some day at least see a complete sheet if one still exists. Postage Currency was in popular demand and filled a



2nd Issue 10¢ Fractional Currency



Front and back of 3rd Issue 50¢, with portrait of Treasury Secretary F. E. Spinner

real need. From August, 1862, to May 27, 1863, over twenty million dollars' worth of Postage currency was put in circulation. At this time they were not withdrawn from circulation, but were supplanted in issuance by other fractional paper currency. The only reason offered was that Postage Currency had been counterfeited, but I believe the government officials found they could issue fractional paper currency as easily as they could the larger denominations, and without leaning on the credit of the Post Office Department.

Postage currency was just the product of circumstances. It was the result of the efforts of our Mr. F. E. Spinner, treasurer of the United States, to correct the faults of the usage of postage stamps as small change. As a stamp collector I get a real kick out of this little sidelight of history—"Postage Stamps Pinch-hit for Coins"! And, "Believe it or not", the Post Office Department will redeem them today as well as of yore, if you can find a Post Office Clerk who has ever met one before. They have never been demonetized, and may be redeemed. But who would want to turn in such a real connecting link between our two great hobbies



A 5¢ single cut from Postage Currency used on an 1887 cover in Philadelphia. As the Postage Currency was not intended to be used as postage, it was not accepted and the cover was handstamped "Held For Postage."

Don Evans on

When Stamps Were Really Money

Sure, times are tough now, but there was a time during the Civil War when one might have been asked, "Brother, can you spare me a stamp?"

In the first year of the Civil War, metal coins practically disappeared from circulation. This caused a great deal of difficulty in the transaction of normal business, and merchants everywhere in the country were resorting to all sorts of schemes to produce a replacement for the missing coins. A scarcity of small change was not new to the inhabitants of mid-19th century America. The average number of coins in circulation per individual was only a small fraction of the number which is enjoyed by each person today. Even foreign coins were legal for use until shortly before the Civil War. With the outbreak of war, the availability of coins rapidly diminished even more.

With paper money there is always the possibility of it becoming worthless. Coins, on the other hand, always have some value, particularly those made of silver or gold. This led to a certain amount of hoarding of specie, even in stable times, by individuals to protect their assets. When the Civil War began in 1861, the demand for coins for commerce increased, the government diverted metals and minting capabilities to other purposes, and the unknown future caused the amount of hoarding to increase dramatically. The gold coins disappeared, followed shortly by silver, and finally even the copper and nickel small change vanished into jars and pots and safes. In a few short months there was not a coin to be had to purchase even the smallest of items.

With their business in jeopardy, the merchants speedily reacted. They issued small tokens embossed with their names and a value, or paper coupons with similar information, which



A 25-cent "Postage Currency Note" with the five-cent 1861 issue

could be redeemed for merchandise at the place of issue or wherever else a proprietor would accept them. The weakness of these coin substitutes was the fact that they had no intrinsic or guaranteed value. A merchant would hesitate to accept a token issued by another merchant unless he was absolutely sure that the source was dependable and that he could reciprocally redeem the token. This led to a lack of flexibility in the give and take of everyday buying and selling. Although these tokens and coupons continued to be used for many years in spite of the fact that in 1862 they were declared illegal by the government, they were definitely not a satisfactory substitute for real coins.

Individuals began to use postage stamps for small purchases and merchants returned change in the form of stamps. After all,



The front and reverse of a Gault Patent postage coin with an enclosed one-cent 1861 Franklin issue.



Five-cent postal currency note picturing the five-cent Jefferson. Note the intricate lathe work of the engraver in the rosettes that feature the numeral "5". The small size of such "currency" was certainly a handy feature of these notes.

these pieces of paper had an intrinsic value, backed by the Post Office Department, and were difficult to counterfeit. This idea caught the eye of the government, and Salmon P. Chase, Lincoln's Secretary of the Treasury, proposed the idea of making postage stamps legal tender. On July 17, 1862, Congress passed a law which legalized postage as money. It was not a well-researched law. No one bothered to consult Postmaster General Montgomery Blair, or considered the fragile and sticky aspects of using pieces of gummed paper as coin of the realm.

Shortly after the the new law was publicized in the papers there was a scramble to purchase stamps at the post offices. It is reported that sales in some of the larger urban areas experienced an increase of 700%. Stocks of stamps were soon exhausted. No one had advised Postmaster Blair to increase production, and he was extremely displeased. He issued an order to all post offices that no stamps were to be sold for use as money, or worn stamps exchanged for new ones.

This made it difficult for the users of "stamp money." The fact that they were made from thin paper and soon wore out was one of the major drawbacks to the use of stamps as coins. Another problem was that the gum frequently stuck to fingers and, if damp, to almost anything.

Their light weight caused making change in a public omnibus on a windy day to be a frustrating experience. A partial answer to these problems was to place the stamps in small envelopes with the value and the name of the sponsoring merchant printed on them. This decreased the wear and the handling problems, but added the problem of having to open each envelope and check the contents for agreement with the value printed on the outside. A better solution was still needed.

In the meantime, the decision of Postmaster Blair not to allow exchange or redemption of stamp money was causing friction between the Post office and Treasury Departments. An agreement was finally reached in December of 1862 and the Post Office was directed to replace and redeem the stamps as required, and that the use of postage as money had the full backing of the United States Government. This gave full legitimacy to this

unusual form of currency.

Early in this period, General F.E. Spinner, who was the United States Treasurer, and who is considered to be the father of postage currency, suggested that postage stamps should be pasted on pieces of Treasury paper to make them more resistant to wear. While this idea was never carried into production, it was only a short step to the idea of printing small bills with replicas of the current postal issue on their face to establish their denomination and worth. This resulted in the Treasury Dept. contracting with the National and American Bank Note Companies to print what is now known as postage currency. An illustration of a 25-cent note is shown on the first page of this article.

Concurrent with all of these government activities, private enterprise still flourished. Less than a month after the Act of July 17, 1862, John Gault was awarded a patent for encased postage. Gault's patent solved to some extent the problems of durability and ease of use, and the modern stamp collecting fraternity has him to thank for producing these fascinating and desirable philatelic treasures. Encased postage coins were made by placing a mint postage stamp between a circular brass frame containing a thin sheet of mica, and a brass back that was embossed with the name of a merchant and a few words of advertising.

The stamp could be readily viewed through the transparent mica face and its value determined. The brass case and mica protected the stamp, and its small one inch diameter made it easy to carry and use. An example of a one-cent 1861 encased stamp with an advertisement from Joseph L. Bates, a Boston merchant, is shown in Figure 2.

Encased postage exists with all of the denominations of the 1861 issue, from one to 90 cents, and there are more than 150 known varieties of cases. The holders were made by the Scoville Manufacturing Company in Middlebury, Conn., and according to Arlie A. Slabaugh, a philatelic student and writer of note, encased postage was sold for \$20 per thousand cases plus the cost of the enclosed stamp. The Gault patent gained wide acceptance, and many merchants signed on as customers and had their



Front and reverse of the 50-cent note picturing five 10-cent 1861 stamps on the front. Reverse was printed by the American Bank Note Company.



personalized messages embossed on his brass coins. While thousands of encased stamps were distributed, it is likely that many more would have been manufactured if Mr. Gault had not been limited in his supply of stamps by the Postmaster General's edict against the sale of stamps to be used as money, and by the time that the edict was lifted, the government was strongly in the business of printing postage currency notes and the need for encased postage diminished.

The first issue of Postage Currency took place on August 21, 1862, just five weeks after the legalizing of stamp money. On each note, designs of the current 1861 postage stamps were printed, and the value of the note was equivalent to the total value of the stamps pictured. An example of a five-cent note is shown in Figure 3. The notes were printed in brown with a replica of the five cent Jefferson (*Scott No. 67*) for the five and 25-cent values, and in green with the 10-cent Washington (*Scott No. 68*) for the 10 and 50-cent values. On the face of each note was the statement "Receivable for Postage Stamps at any Post office." This guaranteed their value since they could at any time be exchanged.

The notes are approximately 42mm by 63mm in size for the five and 10-cent values, and 48mm by 77mm for the 25 and 50-cent values. They were issued in both imperforate and perforated 12 versions. All of the notes have the front printed by the National Bank Note Co. and the printing on the reverse was done either by the National Bank Note Co. or the American Bank Note Co. (this printing shows the letters "ABCo" on the bottom of the reverse side). The reason for this unusual procedure may have been the large demands that were being made on the National Bank Note Co. for war-related printing at that time. An example of the 50-cent note is shown in Figure 4.

The reverse of the same note is illustrated in Figure 5. A total of approximately \$20 million worth of postage currency was issued, and about 80% was redeemed later by the government. Of the remaining notes, it is estimated that only one or two thousand dollars of face amount have survived and are in the hands of current collectors.

Postage currency was produced until October of 1863, when

a new issue was printed by the Treasury Dept. without the replicas of stamps (and thereby lost the interest of stamp collectors). Called Fractional Currency they were used until 1876 when they were redeemed with newly minted silver coins.

An interesting special issue of postage and fractional currency was advertised by the Treasury Department in 1866. They offered a complete set of all the issues to date, overprinted "Specimen" for the sum of \$5.75. At the same time they also offered a set of just front or back specimens, printed on Confederate bank note paper for only \$4.00. The paper had been captured from a Confederate blockade runner and was watermarked "C.S.A."

Postage Currency is an interesting addition to any U.S. collection and demonstrates another use of our favorite collectible. While not scarce, examples of these notes are not always easy to obtain, particularly in good condition. Since they have both postal and numismatic interest, as do encased postage, collectors in both fields vie for their possession. *Scott's Specialized Catalogue of United States Stamps* lists both postage currency and encased postage.

The author wants to acknowledge the contributions of some of the outstanding writers in this area whose works provided much of the information for this article. A list of these sources follows, and for a greater in-depth look at the fascinating subject of stamps as money, it is highly recommended that these publications be consulted:

Rothert, Matt. *A Guide Book to United States Fractional Currency*. Whitman Publishing Co. Racine, Wis. 1963.

Lippert, Dr. Frank A. *United States Postal Currency*. The American Philatelic Society Convention. Chicago, Ill. 1946.

Slabaugh, Arlie R. *U.S. and Foreign Encased Postage Stamps*. Hewitt Bros. Chicago, Illinois. 1967.

The Admiral Oscar H. Dodson Collection. Auction Catalog. Bowers and Merena, Inc. Wolfeboro, N.H. 1984.

Note: While the above are out of print, these books and pamphlets are available on loan from major philatelic libraries, including the American Philatelic Research Library. ☐