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CONFEDERATE MONETARY POLICY

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CONFEDERATE MONETARY POLICY

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PREFACE

This study is a comprehensive and exhaustive description and evaluation of the role of money in the Confederate States of America. Involved is not only the issuances of the central government, but the issues of the various states and the Indian nations as well. When the Confederacy first organized, it was assumed that its monetary policy would be a continuation of that of the Federal government. Thus coinage would serve as change and be legal tender in the payment of small debts. Large debts would be settled with bank notes of the state-chartered banks, which were to be the circulating paper medium. But the start of the war and the exigencies produced by the conflict changed this.

This work was born long ago in a deep love of numismatics. Later, when my interest in the Confederacy developed, it seemed only natural to combine the two. When I first began the research I had no preconceived notions about what I would find, except that I knew the Confederacy had relied primarily on paper money and that it had inflated at a rapid rate. I was surprised to find that the Confederate government had only thought of paper money as an internal currency and used precious metals to purchase equipment and other supplies abroad. I also discovered that the central government and the state governments had virtually forbidden private citizens from obtaining specie from banks while reserving the right to do so themselves. In this way I was reminded that the United States government had done the same thing in regards to gold in the 1930s. But even this could not be enforced

indefinitely. Perhaps the will of the people is too strong to be controlled for long.

My research has taken me to many parts of the United States and nearly every state that once composed the Confederacy. I was surprised to find that the Indian nations were also instrumental in issuing paper currency during this period, and because this fact has been totally ignored for so long, I decided to devote a separate chapter to each of these forgotten people. I can only hope that this will inspire more research into these neglected areas.

I found many people throughout the country eager to help with my research. I am particularly indebted to Mr. James Walker at the National Archives for the continual help that he gave me, sometimes going far beyond the minimal requirements to assist a researcher. I also take this opportunity to acknowledge the help of Dr. Vladimir Clain-Stefenelli of the Smithsonian Institution in finding materials about the tokens issued in the Confederacy. Washington, D. C., proved to be a treasure trove in my attempt at unraveling the story of Confederate monetary policy.

I cannot begin to list all of the friends I made in the many state archives on my research travels. They are thanked for their help and for making the task a little less formidable. In particular, appreciation is extended to Ms. Connie J. Beane of the Florida State Archives for the assistance she gave me.

Special thanks should be given to those who financed my travels, comforted me when I was depressed, and gave the encouragement I needed to go forward with my research and writing. These wonderful persons are my parents, Mr. and Mrs. La Verne E. Morgan, to whom I cannot even begin to extend an adequate amount of credit and appreciation.

Next, I thank the members of my doctoral committee who gave much aid during my studies at Oklahoma State University. Thus I am deeply indebted to Professors Norbert R. Mahnken and Neil J. Hackett, Jr., of the Department of History, to Professor Odie B. Faulk, chairman of the Department of History, and to Professor James H. Howard of the Department of Sociology and Anthropology. To Professor Howard, I am particularly indebted for the extra scope which ethnohistory may have brought to this study. I extend particular thanks to Professor LeRoy H. Fischer, my graduate adviser and director of this study. He has proven to be much more than a professorial adviser, for he has been a friend and a confidant. I cannot begin to express how much assistance he has given me in the years that we have been together.

This study is dedicated to my parents, Mr. and Mrs. La Verne E. Morgan of Newport Beach, California, whose roots go deeply into both the American and European pasts, including the Confederate States.

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CHAPTER I

THE MONETARY SITUATION

The monetary system of the Confederate States of America developed largely from the banking and credit systems of the South. State banks and property banks were the two main types of banks in the South prior to the war. The majority of the Southern people, however, had little contact with either of these banks. Instead they dealt with merchants who extended them credit from year to year. Even the planter class would often deal with a third party, known as a factor, who would sell the planter's commodities, make purchases for them, and keep a balance for the planter as well. This was done by the factor for a percentage of the sales. The factor could either be located in Europe or, as was the usual case at the time, be a merchant in the North.

When President Andrew Jackson failed to renew the charter of the Second Bank of the United States in 1832 and withdrew federal funds from it, numerous state banks increased their activities. The South was not isolated from this and nearly every Southern state had a state bank at one time or another. When Texas entered the Union in 1845 it outlawed banks, but some private firms circulated notes. In all of the other Southern states the state banks began to overprint their currency and speculate on land and cotton. About 1841 the prolonged depression of cotton prices brought about the calling of loans and the crash of many state banking houses. Nearly all state banks in the South failed,

except in Virginia and Louisiana, but they began to rebuild in the 1850s. Only Arkansas did not have a state or property bank by the time the Confederacy was formed in 1861.

Property banks were unique to the South. They were established by the states in order to attract foreign capital for agriculture and internal developments. These banks could issue notes and many of them, like the state banks, overissued notes. Louisiana led the way in establishing property banks, but soon other Southern states followed. Even Arkansas permitted one property bank to be formed, and the only bank in the state of Texas was a property bank, the Commercial and Agriculture Bank of Galveston. Most property banks failed by 1841. When property and state banks were chartered again in the 1850s they were under tighter state control.

Most Southerners, however, did not deal with banks and had little contact with money. Farmers in the interior established their own "factorage system" comparable to the planters, but for them the factor was the local merchant. It was he who extended them credit on their crop, it was he who sold them their necessities, and it was he who traveled to the North for merchandise, often using his own credit to purchase these goods. This system made the South virtually a colony of the North and it would not be acceptable in an independent nation.

When the government of the Confederate States first appeared on the scene in February, 1861, its monetary and economic system was already in extreme disorder. Some banks had suspended the redemption of their notes for specie, and the little specie that remained in circulation was quickly disappearing. Only in the cities of New Orleans, Louisiana, and Mobile, Alabama, was there a quantity of specie. In place of

coinage, bank notes, in volume nearly equal to the amount of gold and silver held by banks and private individuals in the South, were allowed to circulate. Even though they circulated throughout the Confederacy, the banks that issued them were few in number and located only in the most developed areas. Arkansas did not have such banks within its boundaries and began to issue state treasury warrants almost immediately. South Carolina, with its great commercial center at Charleston, never issued a state note until after the fall of the Confederacy. Many banks in the Confederacy were able to continue with normal operations during the entire war and were authorized to issue additional bank notes at the beginning of the conflict. Although they experienced mild inflation, it was not as severe as that encountered by the central government.¹

When the states of the Confederacy issued notes, they were referred to as either state treasury notes or state treasury warrants. Although both circulated as currency, there was a difference between the two. This distinction can best be explained by examining the way in which funds were drawn from the state treasuries. Whenever the state paid its debts, it was the practice of the state auditor to first verify the amount and then issue a warrant directing the treasury to pay this from funds that he held. If there were insufficient funds in the treasury, the treasurer would issue a warrant to the bearer, payable at some future date with interest. Arkansas, Texas, and the Choctaw Nation continued the practice of issuing treasury warrants. The other states and the Cherokee Nation issued treasury notes which, for the most part, were fundable in stocks and bonds as well as specie and Confederate Treasury notes. These also usually paid interest during the

early war years, but this requirement was dropped by all states as the conflict continued.

The monetary situation at the beginning of the Confederacy was so confused that some order had to be found. Coins of all descriptions were being hoarded and what little bullion the Confederacy had was severely needed to procure supplies from foreign countries. Given the lack of any great quantity of bullion, a Confederate coinage seemed to be impractical. In fact, only four coins were ever struck within the Confederacy. Some bullion came to the authorities from the mints at New Orleans, Louisiana; Charlotte, North Carolina; and Dahlonega, Georgia, but was far less than needed.

The mints themselves were soon closed and their materials diverted to war needs. The copper was made into percussion caps for the soldiers' guns and other materials were also given to the states to use. All mints were eventually converted into assay offices, but only the Dahlonega mint remained open during most of the war and saw much bullion. The quantity of precious metals that passed through it was never very great. The largest shipment was reported during the third quarter of 1862, and most of that came from New Orleans in a probable attempt to keep it from falling into Union hands.²

The only other form of metallic currency that saw circulation consisted of copper based, privately issued tokens. For the most part, these appeared only in limited circulation in Alabama, South Carolina, and Virginia. But even these pieces passed quickly from the scene. A token coinage was discussed in the Confederate Congress, but the required legislation was never approved by both chambers.

With the beginning of the conflict, paper was viewed as the only

logical solution to the Confederacy's monetary problem. It could be produced quickly and inexpensively, and the final day of reckoning could be delayed until after the war. It was in April, 1861, that Secretary of the Treasury Christopher G. Memminger committed the Confederate government to a policy of paper currency. This was viewed as being one way to save bullion from local uses and allow it to be employed elsewhere.³

Memminger was born in Nayhingen, Württemberg, in what is presently West Germany, on January 9, 1803, and was orphaned in Charleston, South Carolina, where his mother had moved in 1807 after the death of his father. After several years in an orphanage, he was raised in the home of Thomas Bennett who later became governor of South Carolina. Educated as a lawyer, Memminger served in the South Carolina House of Representatives where, in 1832, he was chairman of the Ways and Means Committee. In this capacity, he waged a long campaign to disassociate the state from banks and force the banks to maintain specie payment. In doing this he won a considerable reputation as a sound financier. Memminger died in Charleston, South Carolina, on March 7, 1888.⁴

Because it would take time for the Confederate government to print the needed bills, Memminger felt that bank notes could be used in the meantime. These were quickly loaned by the various banks in return for Confederate stocks, which were interest-bearing paper, without coupons, usually purchased by banks. The notes were then sent either to the Confederate Treasury or kept for Memminger in a special account in the banks. The delay in printing the notes produced a situation acute enough that Memminger asked the Confederate Provisional Congress, a unicameral legislature that met from the beginning until the permanent

government was inaugurated in February, 1862, to grant him authority to print a government guarantee of payment on any bank note, but this was never acted upon by the Provisional Congress. After Confederate bills were finally produced in sufficient quantities, they came to be the standard of value as well as the usual medium of exchange. The banks even kept a quantity in their vaults to back their own issuances of currency and give them circulation beyond the confines of the state.

But Confederate notes were to suffer because they were never accorded legal tender status. This meant that they did not have to be accepted for private transactions and could not be tendered for every debt (export duties were specifically exempted on the notes themselves). There were several attempts to correct this in Congress, but they were unsuccessful. Memminger was particularly opposed to this effort, taking the position early in the war that there was no need to force acceptance of Confederate notes as they were already being voluntarily used by most people. Later in the war large numbers of people declined to accept the notes.

To further complicate the delicate monetary situation, the states began to issue their own notes. Only South Carolina, with its large number of state bank notes with an established reputation for stability, as well as money produced by its commercial centers, and Kentucky, which never had a permanent state government within the Confederacy, did not issue notes. For the most part, state notes were accorded only local acceptance and did not circulate beyond the confines of the state.

State issuances poured forth for two specific reasons. One was to help finance state military activities and the other was to relieve the

confusion caused by private issuances of scrip in lieu of small change, known collectively as "shinplasters." But a further division resulted from regional reaction to the later monetary situation. Throughout the war, the Eastern states relied solely on paper money and began exchanging it for commodities at the end of the war for whatever it would bring on the open market. There was a little selling of cotton and tobacco to United States authorities, but in no great quantity.

The Trans-Mississippi Confederate states, however, pursued a different policy. With a foreign outlet for their products through Mexico, the states of the West began to ship them and use pounds sterling to buy imported supplies. Instead of only distributing money to their destitute citizens, these states began to give them commodities. In the end, they were relying less on paper than the other states.

Some of the smaller issuances of notes came from Florida, the Cherokee Nation, and the Choctaw Nation. In addition, the treasury warrant issuances of Texas and Arkansas were also relatively orderly. Two of the worst offenders were North Carolina and Georgia. It was also in these two states that the governors tried to keep more control over military and political affairs that affected their states.

The Confederacy was also faced with an early monetary situation where small change was quickly disappearing and governmental expenses were rapidly rising. The acute shortage of change was one of the major sources of complaint and a variety of means were used to combat it.

Starting in late 1860, the banks of the South began to stop paying out specie for their notes. Not all of the banks followed this early lead. The banks of Mobile, Alabama, did not suspend specie payment until August, 1861, and it was not until September, 1861, that New Orleans

banks followed. After this gold and silver remained hidden in private hands or in bank vaults until it slowly began reappearing shortly before the end of the conflict. Coins were, however, continually sold at auction throughout the war and brokers also did a business in gold coins, but these did not circulate for a long time. Much of the bullion held by the central government eventually found its way abroad.

In order to alleviate the chronic small change shortage, a number of substitutes were tried. Copper tokens saw some use, but these did not remain in circulation for very long and, for the most part, were confined to large commercial areas. Soon even these were hoarded. In New Orleans, omnibus tickets, selling for five cents, were pressed into service instead of coins. Eventually postage stamps of the Confederate States as well as of the United States, together with privately issued shinplasters, pieces of paper issued by individuals with little backing, gained widespread circulation. Shinplasters were even sent from one area to another, but they usually were adjacent to the area of issue. Eventually the states stepped in and outlawed these private issuances, printing their own change notes instead. In 1863, the Confederate States issued its own fifty cent note. Paper then came to replace coins in such chronically short supply in all of the Confederate states.⁵

Paper poured forth from many governmental sources. Even this did not fully serve the early needs of the Confederate economy. Prior to the war, the lowest denomination bank note was generally five dollars and the United States had issued no legal tender paper money. Gold, silver, and copper coins were used for transactions below the sum of five dollars in the prewar years. With the disappearance of these coins, it was difficult to pay for small transactions or to make change.

The earliest Confederate Treasury note issuances did nothing to solve this problem because no note below the sum of five dollars was authorized until 1862. Instead of the small denominations, the central government concentrated on issuing the same values that had been used by the bank notes before the war. Many states quickly empowered their banks to issue notes between the values of one dollar and five dollars, but even so there were still numerous complaints of a lack of small bills. At about the same time that the Confederate government moved to remedy this situation, the states also began to issue notes in these denominations.

It was soon obvious to all observers that the Confederacy would use paper as its domestic currency. It was inexpensive and fairly easy to produce, and it would not have to be redeemed in specie until after the war when things had returned to normal. If people, however, wished to redeem paper money before the end of the war, the only thing that most states and the central government would give in exchange was bonds. Thus these paper issuances were backed solely by the faith of the government and were tied to the people's belief that the Confederacy must eventually triumph. While the Confederate armies were crowned with success, the value of the bills remained close to that of gold. With major battle defeats, the loss of morale, and overprinting of the currency, the notes eventually became virtually worthless.⁶

When inflation took hold in the Confederate States, the notes began to quickly decline in value, and the central government looked for ways to stabilize the currency. Far more paper had been printed than could ever be absorbed by the Confederate economy, and planners felt that the surplus must be reduced. The only problem was how to do this

in a way that would not harm the economy.

Taxes were looked upon as one way of accomplishing this end, but Congress seemed reluctant to follow this route. And so a law was passed whereby old Confederate notes would be retired and new notes circulated. This law, passed in 1864, provided that the old issues would be converted into bonds at full face value until April 1, 1864, for those states east of the Mississippi River, or until July 1, 1864, for those states and the Indian nations west of the river. After these dates the old notes could only be exchanged for the new issue at a rate of three dollars of the old bills for two dollars of the new. This measure gave some aid and the prices of many items in some areas briefly declined, but it gave no permanent relief. The new law passed Congress in early 1864, but no major battlefield victories occurred to reinforce it after its passage. The public also seemed to be confused about the workings of the law and were hesitant to give up the old notes; instead they continued to use them and the parties involved worked out a rate of exchange for each transaction.

The new issue of notes served one purpose undesirable to the Confederacy, for it caused a segment of the population to become alienated from the government. The Indian nations, loyal to the Confederacy, for example, feared that they were being required to pay in part for the cost of the war, although the treaties they concluded with the Confederate States government stated that they were to assume none of the costs. Some people saw this as a default by the Confederate States on a part of its debt and wondered if it would honor the rest of its debt. Values continued to decline and prices in Confederate notes soared especially after the Confederacy allowed old and new paper money issues

to circulate together instead of forcing the retirement of the old issues as planned.

The depreciation of paper money throughout the Confederacy caused hardship for many. Gold, jewelry, and silverware were sold off in an attempt to live through the times. Gold coins were continually purchased throughout the war by the public and the governments. In Richmond, these were of use in the black market, but some people may have purchased them as a hedge against inflation. Even the Confederate government stepped into the gold market towards the end of the war in a vain attempt to bolster the value of its notes.⁷

In order to fight off inflation, some security needed to be found by the people of the Confederacy. In the East, the only alternatives were trading with the United States or running the blockade. The former was unthinkable to a number of patriots and the latter was an expensive proposition. The government of North Carolina was the only Eastern state to organize a state blockade-running trade. But the Trans-Mississippi River area offered another alternative for state government and private citizen as well, for its residents had easy access to foreign trade by way of Texas and Mexico. This route was continually employed by the state governments, private individuals, and Confederate authorities. Its use became so widespread that the officials of the central government limited the number of bales that the Choctaw Nation could export. Among the last legislation of the Confederate Congress was an act authorizing the various Indian nations to be paid their annuities in cotton at specie value instead of Confederate bills. In this way the Trans-Mississippi River area was moving toward commodities and specie and away from paper money as its medium of exchange.

Confederate monetary policy thus suffered from several major shortcomings. In the first place, the currency was not tied to anything of intrinsic value and was fundable only in bonds of the Confederate States. Although bullion was in short supply during the war, there were other items with which the currency could have been backed. Most often mentioned was the cotton crop. It was used with good results in the Trans-Mississippi River area towards the end of the war, and could have been used by the Confederate government long before its demise was imminent. But in order to do this, the government would have needed to export it. Mexico was one good area for foreign trade, but the capture of the Mississippi River in 1863 cut the East from this source. Blockade-running was the only other answer and this became increasingly difficult as time passed. Perhaps it would have been different earlier in the war, but then the Confederacy was committed to a policy of withholding cotton from Europe in hopes of forcing its intervention.

Another major flaw in the Confederacy's monetary policy was the lack of legal tender status for its notes. Not only did the United States have more commercial activities which absorbed greater amounts of its paper issuances, but it gave its notes legal tender status which forced their acceptance by the public for all debts. The Confederacy, however, did not. It depended on the patriotic zeal of its people and the necessity of the war to force acceptance rather than legislative action. This worked well during the early years of the war when morale was high, but not towards the end of the fighting.

Shinplasters in the Confederacy also created a chaotic condition, but the central government took no basic action to regulate these. Suggestions were made as to a copper token coinage to relieve this plague,

but no legislation ever passed both chambers of the Congress. It was left to the states to take some action in this area, but their issuances to replace the shinplasters were not regulated by a central policy. It appears that the central government and the various state governments were more interested in meeting their immediate expenses than with concern for the future. Their planning was uncoordinated and applied to the immediate emergency only. The Confederate notes may have become the standard throughout the states, but they never supplanted state issuances. In this way, the central government failed to meet the circulating medium needs of the country.

With the exception of bank notes, the paper money that circulated was not backed by anything more than faith in the Confederacy's future. Final redemption was postponed until the years ahead and little thought was given as to how this obligation would be met. Whoever was in authority in the future could take care of this problem. Thus bank notes declined very little in value as compared to other bills. Perhaps this was because bank notes were the most regulated of all the paper money.⁸

The Confederacy made use of money unsecured with anything of intrinsic value. Unbacked paper currency can be used successfully for a time, but will not last indefinitely. Sooner or later, some event will happen that undermines the public's trust of its government, and when that occurs the monetary situation will show a decline in value which will further the people's mistrust. Confederate currency was sound as long as the people's belief in its government was wholly intact. When faith was shaken, the value of the money of the Confederacy could not be sustained. Had the war been short, the Confederacy's monetary policy

might have worked. It was not, and the increased demands upon the Confederate government resulted in more paper money being printed to meet its obligations. Faith alone cannot provide for a satisfactory medium of exchange to offset rampaging inflation. The Confederacy's effort to establish a satisfactory monetary system is a story of mistaken judgment, poor management, declining morale, confusion, and complete failure.

FOOTNOTES

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²Quarterly reports of Lewis W. Quillian to the Secretary of the Treasury, Confederate Secretary of the Treasury, Letters Received, 1861-1865, Record Group 365, National Archives, Washington, D. C.

³Christopher G. Memminger to William A. Elmore, April 13, 1861, Confederate Secretary of the Treasury, Letters Sent, April 3, 1861-June 25, 1861, Record Group 365, National Archives.

⁴Richard C. Todd, Confederate Finance (Athens: University of Georgia Press, 1954), p. 201, note.

⁵Clara Solomon, "Diary of a New Orleans Girl, 1861-1862," Louisiana Room, Louisiana State University Library, Baton Rouge, Louisiana, p. 125; F. A. Nast, "History of Confederate Stamps," Confederate Veteran, Vol. II, No. 3 (March, 1894), p. 78; George E. White to Andy Nave, April 13, 1862, Nave Papers, Cherokee Room, Northeastern Oklahoma State University Library, Tahlequah, Oklahoma.

⁶Pollard, The Lost Cause, pp. 425-428.

⁷Mary Boykin Chesnut, A Diary from Dixie, ed. by Ben Ames Williams (Boston: Houghton Mifflin Company, 1949), p. 403; Pollard, The Lost Cause, p. 425; John B. Jones, A Rebel War Clerk's Diary at the Confederate States Capital (2 vols., Philadelphia: J. B. Lippencott and Company, 1866), Vol. II, pp. 393-394.

⁸John C. Schwab, The Confederate States of America, 1861-1865: A Financial and Industrial History of the South during the Civil War (New York: Charles Scribner's Sons, 1901), p. 133.

CHAPTER II

COINAGE

As the Confederate States began the arduous task of organizing a government, the question of money was one of the most vital issues. It was only logical that the monetary policy of the United States would be continued, but national pride in the new nation dictated that a different system be devised. The only questions were what form it would take and what the circulating medium would be. The answers to these questions were first sought in coinage.

Branch mints of the United States were located in New Orleans, Louisiana; Dahlonega, Georgia; and Charlotte, North Carolina. Almost as soon as the Confederate government was organized, the states of the nation seized and transferred the mints and other former Federal property to the new authorities. On March 7, 1861, Louisiana instructed its state depositor, Anthony J. Guirot, to transfer the bullion fund of the New Orleans mint and all customs receipts to the Confederate government. In reporting this action to the unicameral Provisional Congress of the Confederate States, member Duncan F. Kenner of Louisiana called upon all the other states to do likewise, especially if war came. On March 25, 1861, Louisiana authorized the transfer of all former United States government property within the state to the control of the central authorities. This was accomplished the next day.¹

But even prior to this time, William A. Elmore, the superintendent

of the mint at New Orleans, had opened negotiations with Secretary of the Treasury Memminger in expectation of the actual transfer. On March 6, 1861, Elmore had asked Memminger if he should begin preparing for Confederate coinage before the action was accomplished. The same day the Provisional Congress passed a resolution to keep the mints open and to prepare dies for a new coin. Elmore told Memminger on March 25, 1861, that dies could be ordered from private concerns at an average cost of one hundred dollars and required preparation time of three weeks. Elmore cautioned, however, that there was no insurance against counterfeits if this method was employed.²

On April 1, 1861, Memminger asked Elmore for designs for a half dollar coin. He emphasized that he wanted a totally new design that would break with the past. Elmore soon found a qualified die-sinker to prepare the coinage dies, but he doubted if the man "would be willing to work in time."³ It was not until April 22, 1861, that Elmore was able to provide designs for the new coin. On April 29, he submitted another design to Memminger; this one had been drawn up by the New Orleans architectural firm of Gallier and Esterbrook. The obverse of this design was similar to those used on the coins of the United States, but the reverse was a chain of fifteen links with the names of the states then a part of the Confederacy inscribed within some of the links. The remaining links could be filled in with the names of states that joined later.⁴

Finally, Memminger decided upon a design and A. N. M. Peterson engraved the dies for a fifty cent coin. Only the reverse was different from the one-half dollar coin of the United States. Conrad Smidt, the foreman of the coining room at the New Orleans mint, prepared the dies

for the coining press and a total of four specimens were struck. Why the pieces were even made is uncertain, because on April 13, 1861, well before designs were even submitted, Memminger informed Elmore that war had begun and expressed the view that not "much coinage will be required while it is certain that the Government will need the Bullion." He ordered Elmore to reduce his expenses.⁵

It is possible that Elmore commissioned the pieces on his own authority, but there are also hints that this might not be the case. In accordance with Memminger's order of April 13, Elmore planned to suspend operations at the mint on April 30, 1861. But on April 19, he pointed out that "there are parties who wish some coining done" and that the facility could profitably remain open through May. Because of this, the mint was able to strike the four coins, but whether it was on Memminger's orders or not is uncertain. B. F. Taylor, the coiner of the Confederate States, later stated that among the several designs submitted to Memminger, "the one approved" was the one for which specimens were prepared. Approval would imply that Memminger authorized the patterns, but this also is not certain.⁶

In addition to the fifty cent piece, a one cent coin is reported to have been commissioned. Dies for this were prepared by Robert Lovett, Jr., of Philadelphia, Pennsylvania, upon orders of a local jewelry firm, Baily and Company, of which he was an employee. Twelve specimens were struck but never delivered. Lovett later claimed the reason for this was that he feared arrest by authorities of the government of the United States and he hid them until after the war. Only Lovett's word can be used to substantiate this story, and the first of the coins did not surface until 1874, nine years after the close of the war.⁷

Even though early attempts at a coinage system proved fruitless, interest in coins did not end. On March 16, 1861, the Provisional Congress had passed an act regulating the value of foreign coins, including those of the United States, that could pass as current money within the Confederacy. This act was amended on August 24, 1861, to raise the value of English gold sovereigns and French gold Napoleons by three cents, and Mexican and Spanish gold doubloons by seven cents. An attempt to raise the value of various silver coins in the same act was defeated. These values were to remain at this level throughout the war for official purposes. The United States silver dollar was fixed at \$1.02.⁸

In addition to this, there were attempts to establish the weight and fineness of the non-existent Confederate coins. Even Memminger had an opinion on this and on August 7, 1861, stated that "we should start with a new unit which would assimilate our coins to those of France and relieve some of the confusion which prevails on this subject."⁹ On March 26, 1862, Representative William P. Miles of South Carolina, introduced a resolution into the House of Representatives to investigate a coinage system, but the resolution never passed. Finally, on April 17, 1862, Senator George Davis of North Carolina introduced a bill into the Senate to provide coins for the Confederacy. This bill passed the Senate the same day it was introduced and was sent to the House of Representatives where it died in the Ways and Means Committee. The main objective to this bill was that it tied coinage standards to those of the United States. As early as April 10, 1862, one correspondent in North Carolina had written the Daily Richmond Enquirer and called for Confederate coins to conform to European and not United States weights

and values. On April 18, 1862, the editor of the Daily Richmond Examiner complained about the Davis bill because he feared that coins of the same fineness and denominations as those of the North would mean that commercial intercourse with that nation would be reintroduced after the war. Senator Davis resubmitted his bill to the Senate, minus the section making the value of the coins equal to those of the United States, on August 26, 1862, but it met with the same fate as before in the House of Representatives where it was referred to the Ways and Means Committee.¹⁰

The year 1862 also saw the only active attempt by the Confederate Congress to alleviate the nuisance of shinplasters, pieces of paper issued by traders, merchants, railroads, and private parties in lieu of increasingly scarce small change. Senator Thomas J. Semmes of Louisiana introduced a bill on September 2, 1862, authorizing the Secretary of the Treasury to strike copper tokens in the denominations of one, five, ten, and twenty-five cents to the total of \$5,000,000. The bill passed the Senate on September 25, 1862, and was sent to the House of Representatives. There it was referred to the Ways and Means Committee, like the coinage bills before it. On October 13, 1862, Representative Duncan F. Kenner of Louisiana, a member of the same committee, reported it back with the recommendation that it lie upon the table. His suggestion was quickly approved. No further attempt ever came before the Congress to establish a system of token coinage.¹¹

Even though tokens were not reconsidered, the question of a standard for Confederate coins did not die. On January 22, 1863, Judah P. Benjamin, the Secretary of State, contacted Senator Clement C. Clay of Alabama, chairman of the Senate Committee on Commerce, proposing the

issuance of a five dollar gold coin, which he called a cavalier, of the exact value of the English gold sovereign. Benjamin argued that this would facilitate direct commerce with Europe and not with the United States. He also proposed ten and twenty dollar gold pieces called double and quadruple cavaliers respectively. Here once again was the urging of a system tied to European standards. Interest for this was probably strong enough to have forced it after the war had the Confederacy survived. But Benjamin appears to have been the last Confederate official to discuss the subject, even though earlier a number of Confederate citizens were quite anxious to have their silver coined as a patriotic gesture.¹²

As it became apparent that coinage would play but a minor role in the Confederate States, the question of what to do with the mints had to be settled. At first there were only two mints to be considered, those at New Orleans, Louisiana, and Dahlonega, Georgia, but the admission of North Carolina to the Confederacy brought another at Charlotte. The story of what happened to each of the three is about the same.

On March 6, 1861, the Confederate Provisional Congress had passed a resolution to keep the mints open and working. The mint at New Orleans had been the only one to produce silver coins on any large scale before the transfer, but all of its dies had been destroyed by officials of the United States before they fled. New dies had to be prepared and this was the reason for Elmore searching out a new die sinker in March, 1861. Both Louisiana and Georgia turned over their mints to the central government prior to the war, but North Carolina, which did not secede until May 20, 1861, did not transfer the mint at Charlotte until June 27 of that year. By that time the decision had been made to close all of

the mints, for Congress had passed an act on May 14, 1861, requiring the mints to close as of June 1, 1861.¹³

The New Orleans mint had been the most active mint in the South before the war. On March 30, 1861, its total count of coins on hand amounted to \$431,954.86. With the outbreak of war, Elmore set April 30, 1861, as the closing date, but an additional deposit of bullion enabled him to remain open during the month of May. On April 17, 1861, he begged Memminger to enable him to keep his staff together if there was any possibility of the Confederacy resuming minting at a later date. But on August 7, 1861, Memminger went on record as considering coins "a waste of means and money" because he thought most of the coins would be exported and remelted outside of the nation. There was little possibility of minting operations being resumed in the near future, and even if there were, Memminger would want only the amount of coins that could be used by the country's internal commerce.¹⁴

While the New Orleans mint began to wind down its operation, its supplies were being used for other purposes. In late April, 1861, Governor Thomas O. Moore of Louisiana had inquired of Memminger if he could use the mint's copper for percussion caps for his soldiers' guns, and on May 3, Memminger telegraphed both Moore and Elmore granting permission for this. On May 16, 1861, Memminger instructed Elmore to close his doors on June 1, 1861, in accordance with the provisions of the May 14 act of the Provisional Congress. He also asked Elmore to dispose of all perishable items, retain his dwelling in order to look after the property, and dismiss all other workers. The mint was closed on the day appointed and all the gold and silver coins and bullion were transferred to Assistant Confederate Treasurer Anthony J. Guirot in New Orleans.¹⁵

The mint at Charlotte, North Carolina, was unique in that John H. Gibbon, the assayer of the mint, proposed to Governor John W. Ellis that the gold at the mint be used to make 1,000 five dollar gold pieces, impressed with a design unique to the state; in other words, a state coin or token. He also suggested that bronze and copper proof specimens be made for libraries and colleges. Apparently, the governor never took the suggestion seriously, for there is no evidence that the matter was considered further.¹⁶

The central government was slow to assume control over the mint at Charlotte. Although the ordinance of the North Carolina Secession Convention transferring the property was approved by the convention on June 27, 1861, there was still no formal transfer of control as late as September 30, 1861. Green W. Caldwell, the superintendent of the mint, reported to Memminger but also continued to correspond with the governor as well. In the meantime, the employees were paid with the coins on deposit. This was done in accordance with instructions received from Governor Ex-Officio Henry T. Clark (Ellis had died shortly before this; Clark eventually became permanent governor), but Caldwell had asked Memminger for authority to do so on September 14, 1861. On July 31, 1861, coins and bullion on hand reached the total of \$28,195.04. By the time that the actual transfer of the property was made on October 18, 1861, this amount decreased to the sum of \$26,229.61. The difference likely represents the salaries of all employees who were paid from the fund.

To make matters more complicated than they were, on August 24, 1861, the Provisional Congress had voted to keep the mints at Charlotte and Dahlonega open as assay offices, and on January 27, 1862, New

Orleans was added to the list. But little assaying seems to have ever been done at Charlotte, and the mint's facilities appear to have been used for other functions. On October 18, 1861, the coins and bullion were turned over to Benjamin C. Pressley, the assistant treasurer of the Confederate States at Charleston, South Carolina, and by October 26, 1861, copper pipe was being sent to the mint for rolling into copper wire. In early 1862 percussion caps were also being made at the mint for the use of the Confederate States Army, and on May 27, 1862, assayer John H. Gibbon was instructed to turn over the buildings to the Navy Department and store his equipment. Thus ended the operations of the Charlotte Assay Office.¹⁸

However, there was one other problem that needed to be settled, the question as to whom had the right to the mint's bullion fund. Governor Clark maintained North Carolina should have kept it because the funds were not mentioned in the act transferring the property to the central authorities, and he so informed Memminger on December 20, 1861, asking for its return to the state. Memminger replied on December 23, that it would take an act of Congress to release the funds and that the bullion had already been exchanged for coin at Charleston banks. It was then that Clark decided to recognize the accomplished fact and assented to the transfer, but he made it clear to Memminger on January 18, 1862, that the state had not relinquished all claim to the funds. He asked that North Carolina be credited with the amount of the funds, but he also seems to have had hopes of recovering the coins and bullion after the war.¹⁹

At Dahlonega, Georgia, affairs seem to have continued in a fairly normal manner at first. Superintendent George Kellogg reported for the

first quarter of 1861 that the total amount of precious metals on hand, coined and in bars, came to the sum of \$27,526.46. On May 16, 1861, Memminger contacted Kellogg as well as Elmore in New Orleans, instructing them to close their mints, discharge all employees as of June 1, and ship all coins and bullion on hand to the assistant Confederate treasurers at Charleston or New Orleans. Memminger also asked Kellogg if he could find someone to take care of the property in exchange for the free rent of the superintendent's residence. Kellogg answered on May 21, that he would comply with Memminger's wishes as well as he could, but he did not feel that he would be able to get the bullion and coins ready for shipment that quickly.²⁰

But this was not to be the last precious metal to pass through Dahlonega during the war. It was there that the only Confederate Assay Office to remain active for any significant period of time was established. On June 10, 1861, Kellogg informed Memminger, in answer to his communication of June 4, that an assay office could be run profitably at Dahlonega, but not if the gold was shipped elsewhere to be coined. He also noted that the man who was then the mint's assayer, Lewis W. Quillian, would be willing to assume this duty. The mention of coining was obviously an attempt to get Memminger to keep the entire facility open, something he did not wish to do, because at the end of his communication, Kellogg even asked for this, stating that the people of the area desperately needed it for the gold that was being mined.²¹

When Memminger contacted Congressman Robert W. Barnwell, chairman of the Committee on Finances of the Provisional Congress, about the legislation proposed to establish assay offices, he stated that an assay office could be made to pay only if the gold was cast into bars and

the whole expense of the office was borne by the assayer. These suggestions became the guidelines by which the assay establishments were put into operation by the legislators. On September 25, 1861, Memminger asked President Jefferson Davis to appoint Quillian as assayer at Dahlonga, and on October 1, 1861, Memminger told Quillian that his position had been confirmed.²²

Quillian began his work quickly and dutifully made his quarterly reports to Richmond, Virginia. In the first quarter of 1862, he assayed \$8,235.09 worth of bullion and the reports continued to come through the first quarter of 1864, when he handled a total of \$1,040.76. The largest amount to pass through his hands came in the third quarter of 1862 when \$41,945.76 worth of bullion was processed. The reason for this large amount during this quarter can only be explained by one event, the fall of New Orleans and its mint to the United States.²³

The idea of sending the precious metals to Dahlonega seems to have been first broached by Assistant Confederate Treasurer Guirot who was by then at Jackson, Mississippi. It was on May 28, 1862, that Memminger telegraphed Guirot to "send the bullion as you propose to dahlonega [sic]... with orders to assay and cast into bars and hold subject to my order."²⁴ All in all, a total of \$29,571.61 was sent by Guirot to Quillian, and he dutifully assayed it and dispatched the final product, as bars, to Augusta, Georgia, in late September, 1862. By late November of that year, the gold was still there, but it probably found its way overseas, since the seaport of Savannah was just down river from Augusta and the river was navigable from Augusta.²⁵

Although the bullion from New Orleans may have been dispatched to Europe, this was not the case for the coins from New Orleans,

especially those of the banks. On July 2, 1862, Guirot informed Confederate States Treasurer Edward C. Elmore that he was transferring \$20,000 in coin to an undisclosed destination. It is not clear if these coins came from the New Orleans mint, the banks of New Orleans, or from some other sources, but it shows that there was some activity. If they were from the banks, they must have been transferred for safe keeping because the Treasury Department's estimate of appropriations for the first half of 1864 included \$559 "To defray Expenses incurred in the transportation and safe keeping of Coin belonging to the New Orleans Banks." Nothing is said about the coins from the New Orleans mint, and they could have been dispatched anywhere, or even used within the Confederacy prior to the fall of New Orleans.²⁶

The amount of gold assayed by Quillian from sources other than the Confederate government was minimal. One of these sources of precious metals appears to have been as a by-product from the mining of other ore. In addition, some of the gold mines continued a minor role as a result of small operations. For the most part, it was the central government that sent most of the gold and silver to be refined. Even so, on August 23, 1862, Representative Hardy Strikland of Georgia had presented a resolution to the House of Representatives to instruct the Ways and Means Committee to inquire into the expediency of beginning coining and placing the Dahlonega mint into operation once more. The resolution, however, never came up for a vote.²⁷

Thus Confederate coinage never developed momentum. There was early interest in a coinage system for the Confederacy, but Memminger was opposed to it on a large scale. He preferred to keep precious metals in bars. This was probably wise because coins would not have circulated

to any degree due to uncertainty in people's minds as to Confederate success. In any emergency, there is usually hoarding of precious metals and this has been true in most every country at war. The government needs precious metals, but people want to hold on to as much as they can, in case defeat overtakes the government. What would have been done after the war is a matter of speculation, but it is reasonable that if Memminger had still been in office he would have continued with the groundwork he had built.

The interest in coinage exhibited by Confederate lawmakers indicates that some form of coinage was desired by the people. It had been widely used in the United States and the people trusted it. Some favored using United States standards for new coins, but most seemed to prefer European weights and values, such as those of England or France. It seems likely that these would have been adopted by the new nation after independence.

Memminger seems to have been the hand behind the scenes concerning coinage. Apparently, it was only through pressure by Elmore and the Provisional Congress that he even gave the slightest consideration to coins. Even the four coins that had been struck as patterns might not have been done on his orders. He was quick to end the idea of coinage when war broke out, and some of his statements were openly hostile to coins in general. It is as though Memminger felt that specie had no place in commerce. Even after the war he might have been more supportive of a token coinage, which would have definitely prevented coin export, than a precious metals system. Memminger's opinions about the proposed assay offices make it appear that he only approved of these grudgingly. Perhaps he felt that requiring the assayer to bear all

costs would make it impossible to find any man to take this position. If this was the case, Quillian must have disappointed him. Memminger wanted to use billion and coins abroad, and make very limited use of coins at home. In some way, he must have gained the support of the Ways and Means Committee of the House of Representatives, because they were the ones who killed every coinage bill, including the one for tokens. Eventually the realities of the war halted the calls for a coinage system. By 1864, within a year of the close of the war, people seemed to have forgotten about coinage.

Coins were kept by the banks and to a lesser extent by the governments. After closing the mints, only Dahlonega, Georgia, played any significant role as an assay office; it sent the refined precious metals to other locations, likely including points abroad. Thus coins never materialized. A circulating medium, however, was needed by the people of the Confederate States as well as the central government to be used internally while the precious metals were exported and used for foreign purchases. This was found in paper money, and with it a Pandora's Box.

FOOTNOTES

¹Proceedings of the Louisiana State Convention ... together with the Ordinances passed (New Orleans: J. O. Nixon, 1861), p. 265; Montgomery Daily Advertiser (Alabama), March 12, 1861; Proceedings of the Louisiana State Convention, pp. 281, 929; William A. Elmore to Thomas O. Moore, March 26, 1861, Letters Received, Executive Department, State of Louisiana, 1860-1865, Louisiana State Archives, Baton Rouge, Louisiana.

²Elmore to Christopher G. Memminger, March 6, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; James M. Mathews, ed., The Statutes at Large of the Provisional Government of the Confederate States of America (Richmond: R. M. Smith, 1864), p. 93; Elmore to Memminger, March 25, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865. Before a coin can be made or struck, master dies must be engraved from which working dies are later produced. Working dies are used to strike the actual coins.

³Memminger to Elmore, April 1, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861, Record Group 365, National Archives; Elmore to Memminger, April 8, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

⁴Elmore to Memminger, April 22, 1861, April 29, 1861, ibid.

⁵B. F. Taylor to Marcus J. Wright, April 7, 1879, Gray Box, Record Group 109, National Archives; Memminger to Elmore, April 13, 1861, Confederate Secretary of the Treasury, Letters Sent, April 3, 1861-June 25, 1861.

⁶Elmore to Memminger, April 17, 1861, April 19, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Taylor to Wright, April 17, 1879, Gray Box. Patterns are struck specimens of proposed designs that are not fully adopted. They are made in order to show what the finished product would look like. Mintage figures on patterns are always very low. It is possible that the Confederate half dollars were not patterns but presentation pieces for key officials.

⁷Don Taxay, Comprehensive Catalogue and Encyclopedia of United States Coins (Omaha, Nebraska: Scott Publishing Company, 1971), p. 191.

⁸An act to repeal the Fourth Section of "An act to Regulate Foreign Coins in the Confederate States," Confederate States Congress, Legislative Papers, February, 1862-March, 1865, Record Group 109, National Archives; Mathews, ed., Statutes at Large, pp. 62-63.

⁹Memminger to Robert W. Barnwell, August 7, 1861, Confederate States Congress, Legislative Papers, February, 1861-March, 1865.

¹⁰United States Senate, 58th Congress, 2nd Session, Journal of the Congress of the Confederate States (7 vols., Washington: Government Printing Office, 1905), Vol. V, pp. 145, 194, Vol. II, p. 179, Vol. V, pp. 265-267; Daily Richmond Enquirer (Virginia), April 22, 1862; Daily Richmond Examiner (Virginia), April 18, 1862; A bill to be entitled, "An act to make provision for coins for the Confederate States," Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Confederate Congressional Journals, Vol. V, p. 194.

¹¹A bill to be entitled, "An act to provide for the coining of Copper Tokens," Confederate States Congress, Legislative Papers, February, 1862-March, 1865; "Proceedings of First Confederate Congress," Southern Historical Society Papers, Vol. XLVI, No. 1 (January, 1928), p. 242; Confederate Congressional Journals, Vol. V, pp. 442, 555.

¹²United States Department of the Navy, Official Records of the Union and Confederate Navies in the War of the Rebellion (31 vols., Washington: Government Printing Office, 1894-1922), Ser. II, Vol. III, p. 669; Jefferson Davis to Mrs. Sarah E. Cochrane, June 5, 1862, Dunbar Rowland, ed., Jefferson Davis, Constitutionalist: His Letters, Papers, and Speeches (10 vols., Jackson, Mississippi: State Department of Archives and History, 1923), Vol. V, p. 269.

¹³Mathews, ed., Statutes at Large, p. 93, United States Director of the Mint, Annual Report, October 27, 1862, in United States Senate, 37th Congress, 3rd Session, Executive Documents No. 1, "Report of the Secretary of the Treasury ... for the Year ending June 30, 1862." (Washington: Government Printing Office, 1863), p. 45; "An Ordinance to cede to the Confederate States, the property ... in North Carolina," Confederate Secretary of the Treasury, Letters Received, 1861-1865; Mathews, ed., Statutes at Large, p. 110.

¹⁴Elmore to Memminger, March 30, 1861, April 19, 1861, April 17, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Memminger to Barnwell, August 7, 1861, Confederate States Congress, Legislative Papers, February, 1862-March, 1865.

¹⁵Memminger to Moore and Memminger to Elmore, May 3, 1861, Confederate Secretary of the Treasury, Telegrams Sent, February 23, 1861-July 30, 1864, Record Group 365, National Archives; Memminger to Elmore, May 16, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.

¹⁶John H. Gibbon to John W. Ellis, May 20, 1861, Governor John W. Ellis Papers, 1859-1861, North Carolina State Archives, Raleigh, North Carolina.

¹⁷Henry T. Clark to Green W. Caldwell, September 30, 1861, Caldwell to Memminger, August 7, 1861, September 14, 1861, October 9, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

¹⁸ Mathews, ed., Statutes at Large, pp. 192, 253; Receipt, Benjamin C. Pressley, October 18, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Clark to Caldwell, October 26, 1861, Governor Henry T. Clark Letter Book, 1861-1862, North Carolina State Archives; Caldwell to Memminger, April 21, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Memminger to Gibbon, May 28, 1862, Confederate Secretary of the Treasury, Letters Sent, April 3, 1861-August 2, 1864, Record Group 109, National Archives.

¹⁹ Clark to Memminger, December 20, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Memminger to Clark, December 23, 1861, Clark to Memminger, January 9, 1862, Governor Henry T. Clark Letter Book, 1861-1862, Clark to Memminger, January 15, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

²⁰ George Kellogg to Memminger, April 17, 1861, ibid.; Memminger to Kellogg, May 16, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861; Kellogg to Memminger, May 21, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

²¹ Kellogg to Memminger, June 10, 1861, ibid.

²² Memminger to Barnwell, August 7, 1861, Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Memminger to Davis, September 25, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Memminger to Quillian, October 1, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.

²³ Quarterly Reports, Lewis W. Quillian, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

²⁴ Telegram, Memminger to Guirot, May 25, 1862, Confederate Office of the Comptroller, Letters Received, April 15, 1861-January 10, 1862, Confederate Collection, Library of Congress, Washington, D. C.

²⁵ Quillian to Guirot, October 21, 1862, ibid.; Quillian to Memminger, September 25, 1862, October 1, 1862, November 22, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

²⁶ Guirot to Edward C. Elmore, July 2, 1862, Confederate States Treasurer, Letters Received, February, 1861-December, 1862, Record Group 109, National Archives; "Estimates of Appropriations ... January 1st to June 30th ... 1864," Confederate Secretary of the Treasury, Estimates of Appropriations, January, 1863-February, 1865, Record Group 365, National Archives.

²⁷ Smith Stansburg to Edward C. Elmore, June 25, 1862, Confederate States Treasurer, Letters Received, February, 1861-December, 1862.

CHAPTER III

TREASURY NOTES

On March 9, 1861, the Provisional Congress of the Confederate States of America authorized the first issuance of Treasury notes. There was to be a total of \$1,000,000 printed in denominations of \$50, \$100, \$500, and \$1,000, with interest of one cent per day for each \$100, and the entire amount was to be retired at the end of one year. But because of high face values, these bills were not intended to serve as the general circulating medium. This was left, at first, to bank notes and coinage. Unfortunately, the war changed this, and acts for a virtual flood of non-interest bearing paper were quickly passed into law and Treasury notes became the medium of exchange.¹

Once paper money began to come from the printing presses, it was not long before it was accepted by the people. As early as October 15, 1861, Memminger declared that "treasury notes have become the currency of the country."² But there were difficulties to be surmounted before the bills were released. The first issue of March, 1861, ordered from New York before the outbreak of hostilities, still had not been released by April 1, 1861. As war drew nearer, Memminger contacted the Bank of the Republic in New York City on April 11, asking that all impressions and plates for the Treasury notes be forwarded. Apparently the \$1,000 notes were little in demand, because Memminger mentioned that he had intended to order more \$50's and \$100's in place of these

and suppress the \$1,000's. The printing of these notes, according to Memminger, was to be resumed at New Orleans after delivery of the plates.³

With the rapid disappearance of specie, Memminger decided that the best way to alleviate the shortage was to issue Treasury notes for general circulation. An act was quickly passed on May 16, 1861, authorizing \$20,000,000 in small denominations, with five dollars being the smallest as had been the case with bank bills. But it would require time for these bills to be printed. In order to meet the existing emergency, it was decided to use the notes of the banks to fill the interval. In May, 1861, Memminger contacted the directors of several banks asking for a loan of their bills, not to exceed \$300,000 from each bank. This loan was to be secured by a deposit of the interest bearing \$1,000 and \$500 Treasury notes then available, followed by the eventual return of the bank paper or the small denomination Confederate Treasury notes when they were ready. The Confederate issue was to be distributed to the public in Pensacola, Florida; Charleston, South Carolina; and Richmond, Virginia. Memminger contacted only the banks whose bills were circulating in these places at the time.⁴

The banks quickly responded to Memminger's call, and a circulation was soon established. Bank notes eventually received for the first Confederate loan of April, 1861, were even sent back to the banks, and made subject to Memminger's orders. One bank even asked for the return of its notes held in trust by another, and the opening of an account with them. Except at Mobile, Alabama, and New Orleans, Louisiana, Confederate paper currency was eventually received and paid out at par with gold by most banks before the end of July, 1861. The amounts loaned to

the government by the banks were reported to be large and liberal, and as late as August 28, 1861, one bank was still offering notes to the central authorities, in one and two dollar denominations, to a total of \$60,000.⁵

Apparently the Confederate issue could not be produced fast enough at first. Not only were bank bills being used continuously during 1861, but on August 23, 1861, Memminger, who was a member of the Provisional Congress as well as the Secretary of the Treasury, introduced a bill into Congress to allow the Secretary of the Treasury to endorse bank bills to make them an obligation of the central government. Confederate authorities would then be obliged to pay such notes and not the issuing bank, and they would be retired with Confederate currency. In essence, this would produce a national currency in a short amount of time. The bill was placed on the calendar but never acted upon and died when Congress later adjourned. It would seem from this that the situation corrected itself. A shortage of paper may have been one cause of the delay in distributing paper money.⁶

Memminger looked upon Confederate Treasury notes as a way for the government to meet its obligations at a minimum of expense. When a proposal was made to have the government loan cotton planters money on the entire crop, he refused, stating that his department would then have no money to use and would only receive its own notes back from planters when the crop came to be sold. He proposed that planters go to the banks instead, and invest their excess crop in Confederate produce loan bonds. But Memminger felt that if his monetary plan was to work, the national bills must be received as currency by all banks in the Confederacy. He told the planters that such was the case at the time, but

in truth, it was not.⁷

Although most banks quickly suspended specie payment and received Treasury notes at par with coin, those at Mobile and New Orleans did not fall into line so easily. Because of this, some merchants refused to accept notes except from these banks, and they discounted the rest. Some banks in Mobile were even discounting Confederate paper because it was not readily convertible into specie. Memminger then brought pressure to bear on these banks. By August, 1861, some of the Mobile banks assented to his desires and served notice to their depositors that Confederate currency would be received for all debts made after September 10, 1861, but it was up to any creditor who had debts made before this time as to what currency he would accept in payment.⁸

As early as June 15, 1861, Memminger had contacted J. D. Denegre of the Citizens Bank in New Orleans asking him to accept Confederate notes as currency, but this did not help the situation. Therefore, on September 11, 1861, Memminger communicated with the directors and presidents of the banks in New Orleans as well as Louisiana's governor, Thomas O. Moore. Memminger told the banks that the value of the Treasury notes depended upon their acceptance as a circulating medium throughout the nation. Calling upon the bank officers' patriotism, Memminger urged them to suspend specie payment immediately and receive the notes of the central government as money. He stated that he was asking for this with the concurrence of President Davis and the entire cabinet.⁹

Memminger asked Governor Moore for his cooperation in gaining the desired results. He urged Moore to immediately convene the necessary people and give them whatever assurances were needed. Under the laws

of Louisiana, the banks could not suspend specie payments but Moore acted on his own initiative. On September 16, 1861, he issued a proclamation, which might have been one of the conditions that the banks required to act, asking the banks to cease specie redemption and to accept Confederate paper money. The banks then moved quickly, and specie disappeared rapidly because it was hoarded by people. One newspaper reported that there was a considerable number of large and small speculators engaging in this, but it is safe to assume that many other people participated also. Another newspaper feared that shinplasters would soon appear in daily commercial life and it urged the municipal authorities to issue change notes. By November 2, 1862, often change was impossible to obtain and even five-cent omnibus tickets were being used in lieu of specie by some.¹⁰

The problems, however, were not only with banks, for some individuals even refused Confederate Treasury notes. While Mobile banks were still paying silver, Memminger contacted Major J. D. Leadbetter, the paymaster at Fort Morgan in Mobile, Alabama, instructing him that if public creditors refused to accept either Treasury notes or the bank bills he had on hand, they could wait until after the war for payment. Previously Secretary of the Navy Stephen R. Mallory had pointed out to Memminger that merchants in Florida were refusing Confederate paper. Memminger retorted that if sutlers and store keepers at Pensacola, Florida, were refusing to accept the bills, then new suppliers should be found. Obviously, Memminger was using the power of necessity to force acceptance of the notes.¹¹

But no matter how much Memminger used pressure, he did not resort to the final effort, the Congressional enactment of legislation

conferring legal tender status on Treasury notes. The main support for the act that would force acceptance of the bills for the settlement of all public and private debts came in 1862. But on July 26, 1861, a resolution had been introduced into the Provisional Congress by member Augustus H. Garland of Arkansas calling for an investigation of the possibilities of making Confederate paper money legal tender, but no action was taken at the time. On March 4, 1862, Senator Robert W. Johnson of Arkansas introduced a bill into the Senate to make Treasury notes legal tender, but this attempt never came up for a vote on the floor. A similar idea was being considered by the House of Representatives and Memminger contacted Representative Lucius J. Gartrell, chairman of the House Judiciary Committee, outlining his view on the subject. In essence, Memminger stated that Treasury notes by this time were being accepted by everybody, and even the courts made awards in no other medium, so there was no need for a statute to force people to take them. He also felt that all creditors would be against the legislation because it would mean that their debts would be settled with a cheaper money than was originally loaned.¹²

Even with Memminger's opposition, attempts were still made to obtain legal tender status for the bills, so the debate continued. Apparently it was felt that legal tender status would halt depreciation of the paper. An effort was made to pass a bill in the House of Representatives in 1862, so legislation was introduced on August 18, referred to the House Judiciary Committee, which reported it back on September 20 with the recommendation that it should not pass. Consideration of the bill was postponed and it never came up for debate. On September 24, Senator Landon C. Haynes of Tennessee presented a

memorial from his citizens asking for legal tender status. The next day, the Senate Committee on Finance asked for and was dismissed from further consideration of the petition.¹³

While Congress flirted with the issue of legal tender, the country's citizens actively debated it. John B. Jones recorded in his diary on October 14, 1862, that because Congress failed to pass the bill he felt "there will be a still greater depreciation."¹⁴ Even General Robert E. Lee indicated he was in favor of legal tender, but Davis echoed Memminger when he stated that the courts could not enforce payment in anything else, so the notes were already substantially legal tender. Others also opposed the measure. One anonymous writer, using the pseudonym "Cato," decried the efforts. He argued that those who depended on a fixed income or any income at all, such as widows, people who invested most of their capital in bonds, salaried people, and others were entitled to receive the best money possible. He also made it clear that while inexpensive legal tender money might appeal to a debtor, "a debtor to-day may be a creditor to-morrow." Apparently, Congress agreed with this opinion.¹⁵

In 1863, several state legislatures took up the debate on legal tender. On January 11, 1863, the Virginia legislature passed a resolution to investigate the legal tender status of Confederate notes and to prescribe the punishment for those who did not accept them. Even Texas proved not to be far away from the action, and in November, 1863, a resolution was introduced into its legislature urging Congress to make the notes legal tender for debts. The editor of the Austin, Texas, newspaper The Tri-Weekly State Gazette however, felt that if a similar law passed in Texas, the public would not sustain it. Even one

correspondent in Alabama argued that legal tender would not help solve the problem of depreciation of the currency because it would not reduce the amount of paper in circulation, nor lower prices, and he urged a tax instead.¹⁶

Before the legal tender debate, a plan was developed to subordinate Confederate Treasury notes as a circulating medium. This was likely done in early 1861. Not only is a cut-off date of January 1, 1863, mentioned in the document, but it also speaks of Treasury notes as being about to be issued and recommends reliance on bank bills as the main currency. By 1862, Confederate paper money was called "the only medium of exchange," and had assumed this role by late 1861.¹⁷

The journals of the Confederate Provisional Congress show only two possibilities for the introduction of the plan to subordinate Confederate Treasury notes as a circulating medium. On July 23, 1861, member John Perkins, Jr., of Louisiana, presented a memorial to the unicameral Provisional Congress "containing suggestions as to the financial resources of the Confederate States" and, at a later date, a communication from Mississippi was presented to Congress and was reported to contain statements about finances.¹⁸ Because the plan involved bank notes, it would have been more likely to come from Louisiana than from Mississippi. Also, at the time cotton planters were interested in getting a loan on their crop from the government and the Mississippi communication may have involved this, for planters dominated the state. Later, they even obtained the desired loan from Mississippi authorities.

Apparently this was the plan suggested by Congressman Perkins to provide "a Currency of known and certain value." The banks would pay into the Treasury, for some consideration, an amount of notes and leave

collateral by using coupon and non-coupon bonds of the Confederacy. The non-coupon bonds were referred to as stocks by the governments at the time. The Treasury would then affix a statement to the bill that it was backed by the deposit of the stocks and bonds and use them for Confederate governmental debts. This paper would then be receivable back for debts due the central government. The arrangement would continue until January 1, 1863, or longer, if required. Face values of the bank notes were to be five, ten, and twenty dollars, "leaving the larger denominations of the general circulating medium to be furnished by the Treasury notes about to be issued."¹⁹ This part was struck out, but it further indicated a July, 1861, date or earlier. The first issue of Treasury notes which appeared in April, 1861, was of the values recommended, but was not intended for general circulation. Perhaps this requirement was deleted from the original plan because it was determined that both the higher and lower denominations were already contracted by the Confederate government. The plan might have worked for a time, but it was never enacted by Congress.²⁰

However viewed, the Confederacy was committed to a policy of paper money. But even so, the government continued the use of specie, and the methods of procurement and the use to which it was put were tied to paper money. Even Memminger, who was totally loyal to the power of the printing press, was not about to turn his back on coins.

On April 17, 1861, the first Confederate loan was offered to the general public. But prior to this date, Memminger had written to the banks that had already suspended specie payment, stating that the value of their notes had declined against specie as well as the bills of those banks that still redeemed their paper. Memminger felt that this

would create a hardship for those who used the depreciated bank notes and asked the banks to redeem any of their bills for specie which could be received by the government in subscriptions to the loan. If Memminger's interest was to avoid problems for the public, why did he declare only two months later that drafts drawn by the government were to be paid in current bank notes and the banks "need pay no coin unless advised by me?"²¹

The banks responded quickly to Memminger's request. The Commercial Bank of Columbia, South Carolina, the Commercial Bank of Alabama in Selma, Alabama, the Central Bank of Alabama at Montgomery, Alabama, and others agreed to redeem in coin their notes received for the loan, although some set a maximum to be exchanged. If the circular that Memminger sent gave his true thoughts, and the banks affirmed his request, why did he still tell government officials to receive notes at their specie conversion rate? Memminger told E. Stames, the chairman of the loan officials at Augusta, Georgia, that he was trying to get the banks there to redeem the notes, but it is not clear that he made this point known to the general public. The banks likely tried to disseminate this information, but it is also fairly obvious that Memminger seemed more interested in getting coin than he was in obtaining bank paper.²²

But the loan was not the only source of specie for the Confederate government. In June, 1861, Memminger instructed the customs collectors at Augusta, Georgia, that only coins or Treasury notes could be received in payment of custom duties. Although a generous amount of silver was turned over when Confederate authorities first assumed control of operations, that source declined drastically soon afterwards. In 1861 alone, ninety-nine percent of the funds received was in the form of

Treasury notes and the remainder was silver. The total never rose much above this ratio for the remaining years of the war.²³

Another source of specie was from postal receipts, both those turned over by former United States postmasters and those delivered before Treasury notes began to predominate in commerce. Postmaster General John H. Reagan later maintained that fees "were paid in coin alone up to the date at which postage stamps were furnished [October 16, 1861]." Reagan continued: "Most of the post offices were not furnished with postage stamps for a long time after this, and they continued to receive and pay in specie until a long time after this."²⁴ Indeed, Reagan asserted that within the first few months of 1863 the postmaster at Savannah, Georgia, had deposited \$3,000 in gold and a total in excess of \$68,000 was placed on account up to the middle of 1863. Although this amount was small when compared to governmental expenses, it was still a minor source of specie.²⁵

Taxes also brought in some gold and silver. On August 19, 1861, a new issue of Treasury notes had been authorized by the Confederate Congress, a limit of \$100,000,000 was placed on all issues of these bills, and a war tax was levied on all citizens in the country in order to redeem these notes. The tax was intended to be paid in Treasury notes, but some specie was apparently also received in payment. In August, 1862, John Handy, the chief collector of the war tax for Mississippi, submitted to the assistant treasurer of the Confederate States, Andrew J. Guirot, who was then in Jackson, Mississippi, after the fall of New Orleans, the amount that he had collected, a total of \$30,033.99, of which \$64.05 was in gold and silver. Later on, other taxes were assessed. A tax was authorized by the Confederate Congress on February

17, 1864, which fixed a five percent duty on gold and silver coin, gold dust, or gold or silver bullion held by any citizen within the Confederacy or abroad. Memminger ordered on March 4, 1864, that coin was to be taxed in kind, but on July 29, 1864, Attorney General George Davis decided that because an amendatory act had been passed on June 14, 1864, the tax could be paid in Confederate Treasury notes at their specie value. This probably cut down on the total coin received by the central government, but the tax must have brought in some specie.²⁶

Undoubtedly the largest source of coin was from either direct purchase, for notes or bonds, or the sale of commodities such as cotton, which had either been purchased for Confederate paper or received for the produce loan. Throughout the war, James D. B. DeBow, Produce Loan Agent for Mississippi and Louisiana, bought cotton with bonds and Treasury notes and sold them for pounds sterling and gold, which was then used to make purchases in Mexico or overseas. Confederate money could not be used in payment of foreign contracts and because of this the War and Navy Departments set up their own system. They used the paper within the Confederacy to purchase steamers and cotton, and then shipped the commodities to depositors overseas. This was then sold abroad and the funds kept in trust. The Post Office Department was able to use some of the specie it had received in payment for fulfillment of foreign contracts, but by 1863 Memminger was insisting that even this department had to buy coin on the open market for Treasury notes.²⁷

The local purchase of coin appears to have been the only other major producer of specie for the needs of the government. In June, 1862, gold and silver were offered for sale by a Virginia concern for ten percent premium on gold and a five percent rate on silver. In

December of 1862 silver coin was purchased in Augusta, Georgia, for the Confederate depository. In the calendar year 1862, the total of \$162,087.99 was expended for the purchase of specie, and in the first half of 1863 the Treasury Department estimated it would need \$4,000,000 for buying hard money. This state of affairs continued throughout the rest of the war, and by its close in 1865 the need was so great that drastic measures had to be taken by the government.²⁸

Without legal tender status, there was no statutory requirement that people had to accept Confederate bills for debts, and by 1865 many individuals were declining them. In order to combat this, various schemes were tried. In 1865, the new Secretary of the Treasury, George A. Trenholm, began to sell specie in an attempt to bolster the value of the Treasury bills, and an act was even passed by the Confederate Congress on March 13, 1865, to allow Trenholm to borrow specie from any source, up to a limit of \$30,000,000, "to be applied to the redemption and reduction of the currency."²⁹ But the attempts proved useless and the value of paper money continued downward. Four days later another bill, introduced into the House of Representatives by Francis S. Lyon of Alabama, was passed into law in an attempt to raise coin in order to supply the army. Like the March 13, 1865, act, this law also provided for bonds for the \$3,000,000 that was to be loaned. While this bill was being debated, Representative Charles M. Conrad of Louisiana attempted to have the coin of the New Orleans banks added to the coin to be loaned, but this failed. It was decided, however, that if the money was not loaned, a special tax of twenty-five percent, payable in kind, would be levied to obtain it. Apparently this tax, due April 1, 1865, was fully anticipated because on March 24, 1865, Attorney General

George Davis clarified an obscure section of the act for Trenholm. This would not have been required, especially so quickly, if it were not felt that the tax would be required.³⁰

Trenholm's policies, although slightly different from Memminger's, were essentially a continuation, for Memminger was Trenholm's early adviser. Trenholm was born in Charleston, South Carolina, on February 25, 1807. He was a leading merchant of that city and enjoyed almost unlimited credit at home and abroad. He joined the firm of John Fraser and Company and soon rose to the position of senior partner and finally owner. His firm engaged in blockade-running and even gave the use of its vessels to the central government. He was known as a staunch supporter of secession and had a hand in shaping the fiscal policy of the Confederacy. When he entered the cabinet on June 18, 1864, he was hailed as the one man capable of bringing order to the situation. The Liverpool, England, branch of his company, Fraser, Trenholm, and Company, became the European financial agent of the Confederacy. He served as Confederate Secretary of the Treasury until forced to resign in 1865 due to ill health. He died in Charleston, South Carolina, on December 10, 1876.³¹

But what of the specie of the New Orleans banks? Confederate authorities had kept close watch over this ever since it was removed prior to the fall of the city. As early as April 30, 1862, Memminger had telegraphed the Confederate Comptroller to determine what had happened to the coin. After that, the authorities of the central government kept a part, if not all, of this in trust. As noted, an attempt was made in early 1865 to transfer this to the Confederate government, but it failed. On March 17, 1865, another law was passed that allowed

the Secretary of the Treasury to accept specie from the states in return for Treasury notes at market rate, and this time the coin from New Orleans was included in the specie to be transferred, a last desperate effort by a government whose faith in paper money had undoubtedly been shaken to the core.³²

The Confederacy had need for specie and used it in various ways, especially during the early part of the war. It was Memminger's intention to pay for the interest on the bonds of the first loan in specie, as well as any bonds that were given for the conversion of Treasury notes. He hoped to do this with funds received as export duty on cotton, the only duty for which Treasury notes could not be used. Apparently this was carried out, even though the expected revenue did not materialize, for in December, 1861, Assistant Treasurer Andrew J. Guirot reported that he continued to pay the bond interest in specie, even though he had to draw it from the New Orleans banks. In January, 1862, Memminger still advertised interest payments on certain bonds in specie, even though he was buying it at a fifty percent premium, and the bonds themselves were being sold for Treasury notes. John B. Jones, a clerk in the War Department in Richmond, commented on this action: "What sort of financiering is this?"³³ But specie payment was eventually stopped on these bonds, and non-interest bearing paper was issued in lieu of coin under authority of a law passed on February 11, 1864. This non-interest bearing paper was receivable for all debts due the government, including the export duty on cotton, and was, in essence, coin. The first issue of Treasury notes, which bore interest, was to expire in 1862, and this caused people to ask if they were being redeemed that year in specie. They probably were not, because a total of

\$2,000,000 plus interest, twice the amount originally authorized, was eventually due and on December 14, 1861, the Confederates had only \$736,468.07 in specie. Indeed, in January, 1862, the customs collector at New Orleans even had to borrow specie from the banks to settle a contract.³⁴

Gold was also shipped around to satisfy various obligations. During the first year of the war, the success of the foreign loan did not require the shipment of quantities of coin overseas. But Guirot had to draw on Richmond's supply in 1862 for \$20,000, so gold was already in short supply. By June, 1863, James Spence, the Confederate financial agent in Europe, advised shipment of the government's gold to England, and John B. Jones recorded that Memminger started sending weekly shipments of \$75,000. In August of the same year Jones noted \$20,000 was going by each steamer out of Wilmington, North Carolina. On July 19, 1863, Major Thomas L. Bayne of the Ordnance Department, reported that \$10,000 in coin was to be sent to Bermuda, and on July 25 he affirmed that it was gone and the entire amount was in gold coin. In 1864 some gold was even sent to army commanders such as General Joseph E. Johnston. This was probably used for supplies.³⁵

The year 1862 was witness to other major events that occurred in the monetary picture. The first of these was the issuance of an interest bearing Treasury note not intended for general circulation. A total of \$165,000,000 was authorized by the April 17, 1862, act, all in \$100 bills; only \$122,640,000 were ever issued. Some people hoped to use these like money and attempted to deposit them to bank accounts, but the banks refused to accept them and Memminger defended their action. He explained that these certificates were designed as investment media and

that it was neither intended nor desired for the banks to take them for deposit. Both interest and principle on this paper were not payable until six months after a treaty of peace between the United States and the Confederate States, but the Treasury refused to exchange these for non-interest bearing notes. Some of the notes are also found today with endorsements on the back showing that interest was paid during the war, so some of the rules must have been relaxed. The only way the bills could be used was to pay any debts owed to the government, except export duties, or after November, 1864, exchanged for coupon bonds. By April 30, 1864, a total of \$22,658,100 had been received back by the central authorities.³⁶

With the government obtaining all of the coin it could, and the public hoarding as much as possible, a scarcity of small change soon existed in business circles. Shinplasters were tried, but they proved to be a nuisance. But even if this had not been the case, these were mostly for values below one dollar and did nothing to alleviate the shortage between one dollar and five dollars. In April, 1862, the Confederate Congress moved into the void. On April 7, 1862, a bill was introduced to allow the printing of notes below the denomination of five dollars. When it was signed on April 17, only one and two dollar bills were included, but the original wording would have provided for values of one dollar and fifty cents, two dollars and fifty cents, three dollars, and three dollars and fifty cents as well as the ones that survived. It was not until March 23, 1863, that the first fifty cent note issuance was authorized. Interestingly, the fifty cent bill was the only one in the Confederate series that was not signed by hand: the signatures were printed. On August 27, 1862, an attempt had been made

to allow printed signatures for all Treasury notes. Robert W. Barnwell of South Carolina introduced the legislation into the Senate and it quickly passed. But it died in the House of Representatives. Thus all currency above the denomination of fifty cents continued to be signed by hand.³⁷

In addition to the flood of paper money coming from the government, authorities had another monetary problem with which to contend. This was the annoyance of counterfeiting, compounded by the economic warfare practiced by some citizens of the United States. By August, 1862, the problem had become great enough that Robert W. Barnwell introduced a bill into the Senate to allow the Secretary of the Treasury to appoint a person at all places where public moneys were kept whose sole job would be to examine bills to determine if they were genuine. The legislation also provided for a stamp to be placed on issues known to be widely counterfeited but found to be genuine. This bill passed the Senate, was amended in the House of Representatives, and then tabled in the Senate, where it died. The means used to combat counterfeits was either to have the differences in the notes explained to bank tellers, or to send people to examine them. In the summary of appropriations, the total requested for travel expenses connected with this activity went from \$5,000 to \$10,000 during the course of the Confederacy's lifetime.³⁸

Counterfeiting was not only being done locally, but as a business in the United States. Samuel C. Upham, a Philadelphia printer, stated that from March 12, 1862, to August 1, 1863, he printed notes, public and private, with a total face value of \$15,000,000, and denominations from five cents to one hundred dollars, in addition to Confederate

postage stamps. Prior to Upham's efforts, a five dollar Confederate note had been printed in the pages of a March, 1862, issue of the Philadelphia Daily Inquirer, and a ten dollar bill had been reproduced in the March, 1861, issue of Frank Leslie's Illustrated Newspaper. Upham sold his products as souvenirs for one cent each or fifty cents per hundred, without regard to face value, and many of these found their way into circulation in the Confederacy. His endeavors were well known by the Confederate government and he was condemned by the Confederate Congress. President Davis even reportedly offered a reward of \$10,000 for him, dead or alive, and Congress passed an act making the importation of such bills into the Confederacy punishable by death. Some of the counterfeits circulating within the nation proved to be so good that the Treasury Note Division of the Confederate Treasury Department sometimes unknowingly redeemed them; in one reported case over \$200 was so allowed.³⁹

In addition to counterfeit Treasury notes, there were other problems that undermined the credit of the Confederate government. As early as September, 1861, sheets of the bills were stolen and falsely signed and then passed. On November 13, 1862, one of President Davis' negro slave servants was arrested for stealing \$5,000 in unsigned Treasury notes. In addition to theft, there were also forgery problems. On August 27, 1863, Memminger told Comptroller Lewis Cruger about forgeries of quartermaster's checks that had been paid, stating that the only recourse for recovery was to institute a lawsuit. Widespread counterfeiting in the United States and Confederate States, plus theft and forgery helped to undermine the government's credit base.⁴⁰

Confederate printing presses worked hard and by April, 1864, a

total of \$1,097,942,963.50 in paper money had been placed in circulation, of which \$851,582,125.25 was still outstanding by the last day of the month. But April 1, 1864, was the day that a new currency law went into effect. Under it all old issues of notes were to be redeemed after April 1, 1864, for a new series at a rate of three dollars old for two dollars new. It was hoped thereby to reduce the volume of currency and increase its value. But at the end of the first month of full operation east of the Mississippi, only \$246,360,838.25 had been redeemed, and some of this may have been redeemed before the law was passed. The law did not take effect until July 1 in the Trans-Mississippi Department. In addition, \$48,076,000 of the new notes had been issued by April 30, 1864. Understandably, the government by March, 1865, was forced to resort to specie.⁴¹

When Confederate Treasury notes appeared, they were accepted as currency through the patriotism of the people. Those individuals who did not receive them at first were easily sidestepped. So successful were Memminger's efforts, that paper money became a virtual legal tender, but because this was never enacted by Congress, it became increasingly difficult to use them later in the war. The Secretary of the Treasury found the notes to be an inexpensive way to secure specie needed for overseas trade, but even this became more difficult as the war progressed.

The image of Memminger seems to pervade the entire story of Confederate Treasury notes. It was he who first set out to make paper the circulating medium, it was he who pushed and pressured to get paper accepted as money, and it was he who oversaw the results. Memminger seemed obsessed with the example of Great Britain and even used it when

he advocated the idea of keeping gold in the form of bars. England had issued paper money through the Bank of England, and Memminger now wanted the Confederate States to issue its own paper money. He was openly hostile towards the idea of coinage, especially during the war, and seemed to be possessed by paper money. But the history of the Confederate Treasury notes shows what happens to most governments that issue paper currency, for they tend to overprint and the value declines. Even Memminger could not halt this, and eventually "paper specie" had to be issued in the form of non-interest bearing paper receivable even for export duties. But nothing seemed to replace hard money in people's minds, and the central government finally had to use every means available to obtain the coveted item.

The monetary policy of the Confederacy was paper money backed solely by faith in the government. This was used by the Confederates to pay their internal debts, but as the amount of debts rose, paper currency swelled to a level that could not be absorbed by the economy or even possibly redeemed for many years even with Confederate success and independence.

FOOTNOTES

- ¹ Mathews, ed., Statutes at Large, pp. 54-55.
- ² Memminger to the Committee appointed to receive subscriptions to the produce loan, Richmond, Virginia, October 15, 1861, Davis Papers, Tulane University Library, New Orleans, Louisiana.
- ³ Memminger to Edward C. Elmore, April 1, 1861, Memminger to C. B. Lamar, April 11, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.
- ⁴ Memminger to George W. Williams, April 27, 1861, Memminger to William Knox, May 27, 1861, ibid.
- ⁵ William C. Riees to W. B. Johnston, May 8, 1861, John Gill Shorter to Memminger, May 31, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Charleston Daily Courier (South Carolina), August 27, 1861; Memminger to G. B. Lamar, August 28, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.
- ⁶ Confederate Congressional Journals, Vol. I, p. 377; A bill to be entitled, "An act to provide a temporary substitute for engraved Treasury notes," Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Correspondence with Blanton Duncan, Confederate Secretary of the Treasury, Letters Received, 1861-1865.
- ⁷ Memminger to Charles T. Lowndes, June 20, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.
- ⁸ Memminger to L. W. O'Bannon, June 29, 1861, ibid.; Notice from Bank of Mobile and Southern Bank of Alabama, Confederate Office of the Register, Letters Received, March 20, 1861-June 18, 1861, Confederate Museum, Richmond, Virginia.
- ⁹ Memminger to Denegre, June 15, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861; Memminger to the Presidents and Directors of the Banks of the City of New Orleans, September 16, 1861, Confederate Secretary of the Treasury, Letters Sent, April 3, 1861-August 2, 1864.
- ¹⁰ Memminger to Moore, September 11, 1861, ibid.; The Daily Picayune (New Orleans), September 17, 1861; New Orleans Bee (Louisiana), September 17, 1861; The Daily Picayune, afternoon issue, September 17,

1861; Solomon, "Diary," p. 125.

¹¹Memminger to Leadbetter, June 29, 1861, Memminger to Mallory, June 21, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.

¹²Confederate Congressional Journals, Vol. I, p. 285, Vol. II, pp. 31, 58, 62, 89; Henry D. Capers, The Life and Times of C. G. Memminger (Richmond: Everett Wadley Company, 1893), pp. 488-489.

¹³A bill to be entitled, "An act to make Treasury Notes a legal tender in the payment of debts," Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Confederate Congressional Journals, Vol. II, pp. 325, 329.

¹⁴Jones, Diary, Vol. I, p. 170.

¹⁵Ibid., pp. 174, 176; Anonymous, "Cato" on Constitutional "Money" and Legal Tender (Charleston: Evans and Cogswell, 1862), pp. 35, 34.

¹⁶Frank Moore, ed., The Rebellion Record: A Diary of American Events (11 vols., New York: G. P. Putnam and others, 1861-1868), Vol. VI, Diary, p. 33; The Tri-Weekly State Gazette (Austin, Texas), November 16, 1863; Montgomery Daily Advertiser (Alabama), December 5, 1863.

¹⁷Anonymous, "Cato" on "Money", p. 35.

¹⁸Confederate Congressional Journals, Vol. I, pp. 277, 367; Memminger to Charles T. Lowndes, June 20, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.

¹⁹A plan for a currency of known and certain value, Confederate States Congress, Memorials and Petitions, 1861-1865, Record Group 109, National Archives.

²⁰The Daily Picayune, April 19, 1861.

²¹Memminger to the Presidents and Directors of the Banks which have suspended Specie Payment, March 26, 1861, Confederate Secretary of the Treasury, Regulations and Circulars of the Treasury Department, March, 1861-July, 1864, Record Group 365, National Archives; Memminger to Edward Frost, May 15, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.

²²J. A. Churfort to Memminger, April 9, 1861, Thomas C. Daniel to Memminger, April 12, 1861, Confederate Office of the Register, Letters Received, March 20, 1861-June 18, 1862; Resolutions of the Central Bank of Alabama, Confederate Secretary of the Treasury, Miscellaneous Office Records, February, 1861-March, 1865; Memminger to C. Stames, April 10, 1861, Memminger to George P. Beime, April 21, 1861, Confederate Secretary of the Treasury, Letters Sent, March 1, 1861-October 12, 1861.

²³Memminger to W. P. Carmichal, Conley, Froce, and Company, and others, June 24, 1861, Lloyd Bower to Memminger, June 4, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Deposit Receipts, various dates, Confederate Office of the Comptroller, Records of the Custom Service, August, 1847-March, 1865, Record Group 365, National Archives.

²⁴Reply of Reagan to Memminger's July 25, 1863, letter to President Davis, Confederate Post Office Department, Letters Sent, March 7, 1861-October 12, 1863, Confederate Collection, Library of Congress.

²⁵Ibid.; Reagan to Memminger, June 27, 1863, ibid.

²⁶Mathews, ed., Statutes at Large, pp. 177-183; John Handy to A. J. Guirot, August 18, 1862, Confederate Office of the Comptroller, Letters Received, April 15, 1861-January 10, 1862; Memminger to J. L. Orr, March 4, 1864, Confederate Secretary of the Treasury, Telegrams Sent, February 23, 1861-July 30, 1864; Rembert W. Patrick, ed., The Opinions of the Confederate Attorneys General, 1861-1865 (Buffalo, New York: Dennis and Company, Incorporated, 1950), pp. 473-475.

²⁷James D. B. DeBow to the Secretary of the Treasury, various dates, Confederate Secretary of the Treasury, Letters Received from James D. B. DeBow, February 5, 1862-January 20, 1865, Record Group 109, National Archives; Judah P. Benjamin to Memminger, Seddon, and Mallory, September 15, 1863, Official Records, Navy, Ser. II, Vol. III, pp. 897-899.

²⁸Thomas Branch and Sons to E. C. Elmore, June 13, 1862, Confederate States Treasurer, Letters Received, February, 1861-December, 1862; M. G. Goodman to Memminger, December 23, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Estimates of Appropriations ... February 1st to June 30th 1863, Confederate Secretary of the Treasury, Estimates of Appropriations, January, 1863-February, 1865; Report of the First Auditor's Office, January, 1863, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

²⁹Charles W. Ramsdell, ed., Laws and Joint Resolutions of the Last Session of the Confederate Congress (Durham: Duke University Press, 1941), pp. 121-122.

³⁰An act to raise coin for the purpose of furnishing necessary supplies to the Army, Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Confederate Congressional Journals, Vol. VII, pp. 764, 767; Patrick, ed., Opinions of the Confederate Attorneys General, pp. 579-580.

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³²Memminger to Lewis Cruger, April 30, 1862, Confederate Office of the Comptroller, Letters Received, April 15, 1861-January 10, 1862; Ramsdell, ed., Laws, p. 150.

³³The Daily Picayune, April 11, 1861; A. J. Guirot to Robert Tyler, December 9, 1861, Confederate Office of the Register, Letters Received, March 20, 1861-June 18, 1862; Jones, Diary, Vol. I, p. 106.

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³⁷An act authorizing the issuance of Treasury notes under the denomination of five dollars, Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Confederate Congressional Journals, Vol. II, pp. 242, 249, Vol. V, p. 347.

³⁸A bill to be entitled "An act to increase the provisions for detecting Counterfeit Notes," Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Confederate Congressional Journals, Vol. II, pp. 245, 249, 401; J. G. M. Ramsey to Memminger, September 5, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Estimates of Appropriations ... July 1st to December 31st 1863 and others through December 31st 1865, Confederate Secretary of the Treasury, Estimates of Appropriations, January, 1863-February, 1865.

³⁹Samuel C. Upham, "Counterfeit Confederate Circulation," Confederate Veteran, Vol. VIII, No. 3 (March, 1900), pp. 102-103; Confederate Congressional Journals, Vol. II, pp. 476, 483; Memo to Mr. White from Ott, undated, Confederate Treasury Note Bureau, Miscellaneous Records, August, 1861-March, 1865, Record Group 365, National Archives.

⁴⁰The Daily Picayune, afternoon issue, September 7, 1861; Jones, Diary, Vol. I, p. 189; Memminger to Cruger, August 27, 1863, Confederate Office of the Comptroller, Correspondence, 1861 and 1863, Record Group 109, National Archives.

⁴¹ Statement of the amount of Treasury Notes issued ... up to and including the 30th of April, 1864, Statement showing amount of Treasury Notes issued under Act of February 17th 1864, up to and including the 30th of April 1864, Confederate Office of the Register, Letters Sent, March 18, 1861-April 1, 1865.

CHAPTER IV

EASTERN STATES PAPER MONEY

Military considerations made the Confederate government turn to a policy of internal paper money to obtain specie to use elsewhere. But, in addition, the state governments also faced wartime emergency needs, and they coveted hard money as much as the central government. For the most part, the Eastern states of the Confederacy followed a plan of issuing state treasury notes throughout the entire war. Most of these outpourings were fairly large in volume, but Georgia and North Carolina far exceeded the others in total amount. Florida, however, pursued a more orderly policy. Of the thirteen states considered by central authorities to be a part of the Confederacy, all except South Carolina and Kentucky issued some form of paper currency. South Carolina decided to use the notes of its banks, as well as those of the central government, and continued to collect taxes throughout the entire war. The only other state that did not issue currency was Kentucky, which never had more than a provisional Confederate state government, and it fled the state shortly after being inaugurated. The remaining states resorted to the printing press for money at one time or another. Each of the states apparently hoped to gain a wide circulation for its issuances, but for the most part they received only local use. In the end, state officials had to face the same problems as the authorities at Richmond. And the ways that they found to deal with them were very much the same.¹

Alabama

Long before war came to Alabama, the state government was concerned with monetary matters. A shortage of small change must have been evident as early as February, 1860, because on the eighth day of that month, the legislature authorized all of the banks conducting business within its borders to issue notes in denominations between one and five dollars. As hostilities came ever closer, Governor Andrew B. Moore began to worry all the more about specie. On December 4, 1860, he told the president and directors of the Central Bank of Alabama that the suspension of specie payment by the banks of the neighboring states of South Carolina and Georgia was imminent, and such an action would cause a run on Alabama's banks. In order to prevent this, and keep all gold and silver in the vaults of banks in Alabama, Moore requested all banks within the state to suspend specie payment at the same time. But only three banks heeded Moore's urgings, even though he assured them that he felt confident the secession convention and legislature would sustain the action.²

In the beginning, Alabama seemed to be more interested in securing specie held by the banks than issuing paper money. To this end, the secession convention authorized \$1,000,000 worth of bonds, and the general assembly later gave permission for the banks to suspend specie payment provided they purchased the bonds. This was done on February 2, 1861, and on April 9, Governor Moore informed James J. Donegan, president of the Northern Bank of Alabama in Huntsville, that he was sending him fifty bonds of five hundred dollars denomination. In order to remit the \$25,000 due to the state for these bonds, Moore wanted \$10,000 in bank notes upon receipt and the rest in weekly shipments of

specie in \$5,000 units. As of January 1, 1861, one Alabama bank, the Bank of Selma, had \$70,926.10 in its specie fund and much of this probably went into the state treasury.³

Apparently Moore's efforts to secure coin were fruitful. As early as January, 1861, he was able to dispatch \$200,000 of this to the Citizens Bank of Louisiana which was to be used for state purchases. By March, 1861, the bonds were nearly ready to be issued and they were to be sold for specie or its equivalent; the notes of unsuspended banks were valued the same as specie. The banks responded well to the offerings and as late as October 18, 1861, the government's account at the Southern Bank of Alabama in Mobile totaled \$90,316.38, of which \$51,040.38 was in hard money. On March 31, 1862, Governor John Gill Shorter even turned away a Richmond, Virginia, investor when he informed him that Alabama had "sold all the bonds I wish to dispose of for the present."⁴

February 8, 1861, was the day that the first issuance of Alabama treasury notes was authorized. A limit of \$1,000,000 was set for these bills, and they were to be of no greater denomination than one hundred dollars and bear six percent interest. They were to be receivable for all sums due to the state and could be reissued with the same interest requirement; however, there is no evidence that these bills were ever issued. The bonds were sold, but bank notes and specie were used. In August, 1861, Governor Moore states that only suspended bank paper remained in the treasury and offered to pay public debts with these or a bank draft. As late as February 1, 1862, a plan was proposed to have the state suspend the collection of all taxes and issue treasury notes, redeemable by a future tax, to meet its obligations, but Governor

Shorter resisted.⁵

If Alabama hesitated to issue paper money, the merchants did not. Shinplasters began to appear quickly when the Northern Bank of Alabama, among the last of the banks to suspend specie payment, did so on September 18, 1861. Problems associated with these shinplasters continued to grow and the state was finally forced to act. On November 8, 1862, Alabama voted its first issue of \$3,500,000 change bills, redeemable for Confederate Treasury notes, and on December 9, 1862, the private shinplasters were declared illegal. On November 11, Governor Shorter sent a man to J. F. Patterson and Company at Augusta, Georgia, to confer on the form of these bills, but the first proofs were not sent until January 13, 1863, having been delayed by the engravers.⁶

Apparently Alabama's resistance to state treasury notes was overcome, for on the same day that change bills were authorized, an unlimited issue of six percent state bonds to meet deficiencies in the treasury was also enacted. But by the terms of this law, instead of bonds, state treasury notes, redeemable in either Confederate Treasury notes or state bonds at the state's option, could be issued. And this time they were printed and the next year were paid from the state treasury.

After this the floodgates were opened and paper money poured forth. In August, 1863, a new law was passed in order to provide support for the destitute families of Alabama's soldiers, and if there were not enough funds in the treasury, the governor could use the December, 1862, issue of notes. On December 13, 1864, the final step was taken when blanket authority was given to issue paper for any and all deficiencies and these notes, as well as all old issues, except for the change bills,

were made redeemable with the new issue Confederate Treasury note only. No longer was there even a hint that a bond could be obtained for this state paper. The same act also empowered the governor to borrow up to \$1,000,000 at no more than eight percent interest.⁷

Apparently, the only other problems faced by the state government of Alabama concerned Confederate bills; people did not want to accept them at first. In order to combat this, a law was passed on November 17, 1862, which provided that if any creditor refused these notes in payment, he could collect only one-quarter of one percent interest per year on his debt. This might have made the paper more attractive to many.⁸

In sum, Alabama had the authority to issue paper money in 1861, but the bills authorized bore interest and none seem to have been issued. Perhaps one possible reason was that until nearly mid-year the seat of the Confederate government was also in the state, but this changed after Virginia seceded and the Confederate capitol was removed to Richmond. After a non-interest note was permitted in late 1862, there was no halt to the printing presses. The fact that more bonds and loans were continually needed suggests an unsound monetary policy.

Mississippi

Although Alabama was slow to use paper money, such was not the case in Mississippi. The first issue was voted into existence by the secession convention on January 26, 1861. This was to be \$1,000,000 worth of notes, bearing ten percent interest, one-third of which was to be redeemed each year until they were fully retired in 1864. In order to withdraw these from circulation, a special tax was levied by the same act.⁹

Not all of these notes were issued in 1861. A reduced number appeared in 1862 and an even smaller amount in 1863. In November, 1861, it had been decided that they could be received by the state treasurer at all times, both before and after the redemption date, in the satisfaction of amounts owed to the state. And on January 29, 1862, the treasurer was permitted to pay out again any bills received by him, but not due for redemption until 1863 or 1864. In a move to cut down on interest payments, Governor John J. Pettus issued a proclamation on December 9, 1863, that all notes that had been due in June, 1862, would be redeemed in specie upon presentation; but all interest would cease sixty days after the date of the proclamation. By virtue of a December 5, 1863, law, the remaining convention bills were to be exchanged with eight percent bonds or notes; these were to be payable in ten years from date. By October, 1865, it was estimated that \$641,000 was still outstanding in convention notes and bonds.¹⁰

But the convention notes were not the only bills issued by Mississippi. The cotton planters had tried to get the central government to loan them money on their crop in 1861 and failed, but they were more successful in Mississippi. On December 19, 1861, a series of state treasury notes was authorized for this purpose, with a limit of \$5,000,000. They were issued in denominations of one, two and one-half, three, five, ten, twenty, fifty, and one hundred dollars, and they were loaned on cotton that was stored, at a rate of no more than five cents per pound. The notes were to be redeemable whenever sufficient gold and silver had come into the treasury from the sale of the cotton, or after the blockade had been raised. The amounts loaned to the planters could be repaid only in specie or these notes, and they were receivable by the

state for all sums due it, except the tax leveyed by the convention for the redemption of its paper.¹¹

It would appear that the demand for these Mississippi cotton notes was great. On January 29, 1862, before the bills were even printed, an advance was allowed with the stipulation that one-half of one percent was to be deducted to cover the cost of the printing plates. This paper, however, was not designed to circulate very long. In the original law it provided for the cancellation of all bills redeemed in gold and silver, but on December 5, 1863, it was further ordered that all cotton notes received or to be received by the treasurer were to be destroyed. At least in Mississippi the cotton planters had their way, and the state tried to keep some control over these issues.¹²

But on January 29, 1862, non-interest bearing notes, known as military notes, were also authorized by the Mississippi legislature. These were supposed to have been in denominations of five, ten, twenty, fifty, one hundred, and five hundred dollars, but the last two values do not seem to have been printed. A limit of \$2,500,000 was placed on the issue, and they were to be used for military expenses. The only provision for redeeming these was that the faith of the state was pledged for their final redemption, and they could be exchanged for eight percent bonds. Any of the notes so exchanged were to be cancelled, but this intention was defeated on August 12, 1864, when the state treasurer was permitted to reissue any military notes that had been redeemed, and the same law also provided for an additional \$2,000,000. These acts, plus others that provided for reissuance, managed to keep a total of \$2,500,000 outstanding, \$180,000 of which was in 1864 notes, by October, 1865.¹³

The final type of bill issued by Mississippi concerned the problem of small change. In 1861 the banks were allowed to suspend specie payment until after the blockade was raised and shinplasters soon made their appearance. Some companies and municipalities were permitted by law to issue small change bills, but the situation grew critical. On January 3, 1863, private bills were taxed out of existence by a law which levied a tax of one hundred percent on the highest amount of these bills outstanding after March 1, 1863. But since the banks could only issue notes as low as one dollar, which was allowed as of December 16, 1861, and the municipalities were limited in the amount they could issue, this still left a void. On April 5, 1864, the state finally acted by providing that its treasury notes could be redeemed for state warrants in the denominations of twenty-five and fifty cents as well as one, two, and three dollars. A total face value of \$500,000 was permitted for these warrants. It must have been hoped in doing this that the total debt of the state would not be raised; but this purpose was defeated when, on the same day, a state law passed authorizing the re-issuance of state treasury notes so exchanged, if the governor felt it was necessary. Apparently the change bills were not well received, because on March 3, 1865, it was directed that \$150,000 in state treasury notes could be reissued in lieu of the change bills. Even so, by October, 1865, a total of \$496,622 was still outstanding in change warrants, even though \$146,522 had been destroyed between the months of January and May, 1865.¹⁴

The monetary situation in Mississippi was as severe as elsewhere, and the state was concerned with the issues of the Confederate government as well as its own. On August 6, 1861, the legislature had made

Confederate Treasury notes receivable for all sums owed to the state except the tax passed by the convention for redeeming its paper and the national notes circulated. As the value of these declined, the legislature asked Congress to retire all of its bills and issue new legal tender notes. On June 13, 1863, John G. Humphries, a member of the Winston County Board of Police, noted that cheap money was becoming so plentiful that many people preferred to trade with it when they could rather than commodities. And to compound problems, Major General S. J. Gholson of the state troops stated that Mississippi's treasury bills were probably being counterfeited and distributed to United States soldiers.¹⁵

By 1864 all remaining monetary stops in Mississippi were pulled out and the scramble began. When the new Confederate issue was produced, the old Confederate bills could be converted into bonds. Acting on this, the governor was instructed to dispose of any of the bonds thereby received for state notes, cotton money, or new issue Confederate notes. And after July, 1864, the state treasurer could not accept old bills, except those below five dollars, for taxes. On August 6, 1864, the county treasurers and other county officials were instructed to dispose of Confederate Treasury notes on the best terms possible and distribute the results to the destitute. This may have been referring to the old issue, but it was not made clear in the law. By November, 1864, the state treasurer reported that he had \$5,430.75 in specie and \$5,120.00 in counterfeit Confederate notes that he was not distributing. The situation by then had obviously deteriorated. In October, 1865, the entire indebtedness of the state was estimated at \$4,979,324.53, but this seems extremely low and may not have included the bonds that

had been issued.¹⁶

Overall, through the use of taxes, bank notes, and Confederate issues, Mississippi was able to bring some order to its own monetary policy. Specie was also used in a few payments, and cotton, a staple commodity, backed another portion of its currency. Perhaps this one fact alone tended to give credit to the majority of the state's issues. But not every state government of the Confederacy was as fortunate.

Tennessee

A large debt did not plague Tennessee, but neither did it exist for long as a Confederate state government. Even before the war began, a monetary crisis existed in Tennessee. The focus of the controversy seemed to be the earlier so-called conventional or ten percent interest bill. People complained that it embarrassed the finances of the area and forced the collection of money by merchants and others to get what was needed to loan others. Another group asked for the repeal of the law, stating that the "Money crises is bad enough without such a law."¹⁷ In July, 1861, the legislature passed a law containing a provision that the banks of Tennessee must stop the practice of retiring and diminishing their circulation. This action was declared "detrimental to the public interest" and must be reversed.¹⁸ With apparent lack of money in the state, it would seem logical that the government would be more than willing to issue its own currency, but such was not the case.

Specie payment by the banks had been suspended before 1861. In January, 1861, this was extended until February 8, 1862, but this date requirement was repealed on July 1, 1861. It was also in January,

1861, that the Bank of Tennessee was allowed to issue notes in the denominations of one, two, and three dollars, but it was not until November 23 of the same year that the bank was permitted to issue change bills. In the meantime the state, under the leadership of Governor Isham G. Harris, pursued its own course in regards to money.¹⁹

Tennessee did not formally ally itself with the Confederacy until May 7, 1861, but the day previous to this it provided for funds for its army by passing a \$5,000,000 issue of ten year bonds, bearing eight percent interest, and a tax for their eventual redemption. On June 27, 1861, the governor was given the authority to change \$3,000,000 of this amount to treasury notes, with denominations from five to five hundred dollars, bearing an interest rate no greater than six percent. These were to be receivable for all debts owed to the state and new treasury notes could be issued for any amount redeemed. Considering the scarcity of money, and the lower interest rate, it would appear that Governor Harris would have immediately printed these notes, but he did not.²⁰

Governor Harris did not want a state issuance of notes. Instead he worked to make the Confederate Treasury note the circulating medium within the state, correctly declaring on June 16, 1861, that the Confederate States must have a uniform currency. Harris privately tried to get the banks in Tennessee to receive and pay out the Confederate notes as money. He told Major General Gideon J. Pillow on June 20, 1861, that his "opinion is that they will do all we desire." He further added that the "Bank of Tennessee, and the Planters Bank are doing all in their power to consummate the necessary arrangements."²¹ In order to further ensure this, the legislature passed a law requiring all the banks in Tennessee to receive and pay out the notes as money.

In addition, on March 14, 1862, the comptroller of the state was directed to pay the state's bond interest with the same Confederate paper.²²

But no matter how much the governor might fight it, events were to dictate a state issuance. In early 1862, with Nashville in danger of capture, the legislature met at Memphis. Here Harris declared that all of the state's military forces were in Confederate hands and that the small militia left was undisciplined and unarmed. On March 18, 1862, a further \$3,000,000 was authorized on terms similar to the 1861 issues. Three days prior to this, the banks doing business within the state had been permitted to remove from the limits of the state, but were required to return after the war; by June 7, 1862, even the banks at Chattanooga were sending their assets south to safety. With these developments, the Confederate state government had to fly before the pursuit of the invading forces of the United States.²³

It was the mobile Confederate government of Tennessee that finally issued a series of notes, but these were not issued on the terms established in the previous laws. They bore no interest and were only change bills, redeemable in Confederate Treasury notes when presented in a total of ten dollars or more. The first type known was supposed to have been issued from the town of Cherry Valley, but the surviving bills have this place lined through and Smithville inserted instead; all of these were dated January, 1863. The denominations are twenty-five and fifty cents and one dollar, with a possible two dollar issue. The only other known specimens are one and two dollar bills dated at Kingston in February, 1863. Documentation of this paper money is scarce and only the notes themselves can suggest what was occurring at the time.²⁴

In summation, Tennessee sought to make Confederate paper money and bank notes the only circulating medium within the boundary of the state. Its army was in Confederate service but when war came to the state a regional currency was required. In order to satisfy this, change bills were finally issued by the exiled Confederate government of Tennessee. The war had dictated this drastic change of policy by state officials.

Virginia

Fighting came to Virginia much sooner than in Tennessee and the state responded more quickly. It was unusually conservative in its monetary policy, but even this did not prevent large early issues of paper money. Since it had a number of banks, and the seat of the national government was in Richmond, it had access to other paper money. Even so, Virginia still issued currency through the year 1863. Most of this money was authorized by the secession convention, but one series of small notes came from action of the state's legislature. The lowest denomination ever issued was one dollar, and the state never issued a change bill.

The first four series of state treasury notes came from actions of the secession convention. In ordinances passed on March 14, April 30, June 28, and December 30, 1861, a total of \$9,000,000, in the denominations of five, ten, twenty, fifty, and one hundred dollars, was authorized. As with most of the states, the first issues bore six percent interest, but the bills below twenty dollars had no interest requirement and were merely payable on demand at the state treasury.²⁵

On March 31, 1862, the General Assembly of the state passed a law giving the governor authority to issue \$1,300,000 in state treasury

notes in order to raise money "to arm and equip the militia of the state, and for all defensive and offensive operations of the army and navy."²⁶ These were to be no lower in denomination than five dollars, but on May 14, 1862, this was changed to allow any part of them to be issued as one dollar bills. The state took this authority to heart and the entire sum was printed as one dollar notes; in fact, the final total ran to \$1,309,200. This should have been more than enough to meet the demand for dollar bills within the state.²⁷

But what about the question of change? On March 1, 1861, specie suspension was permitted and hard money disappeared. Of course, the state reserved the right to obtain coin for notes any time it wished, but the general public was excluded. As was the case in other Confederate states, shinplasters soon proliferated. By October, 1861, there were so many that the editor of the Daily Richmond Examiner estimated that the total was no less than one-tenth of all the other currency in circulation combined. In November, 1861, one soldier, John S. Foster, stated that there was no gold or silver in circulation and all he saw was Virginia shinplasters. This state of affairs demanded action.²⁸

It was on January 24, 1862, that the General Assembly required banks to issue notes in the denominations of one and two dollars and forbade them to pay out shinplasters of unauthorized corporations or individuals. On March 29, 1862, banks were further authorized to print notes between the values of one and five dollars, including fractional amounts. At the same time the city government of Richmond, and all the other cities, towns, and counties, were permitted to print change bills. Ten days prior to this, every shinplaster in circulation had been legalized and all penalties for issuing them had been removed. But this

amnesty did not apply to unauthorized change bills issued after the law was passed or to any parties or person who did not call in their bills within ninety days. Apparently this did not work fast enough for some because on April 16, 1862, Brigadier General John H. Winder, commanding the District of Henrico, issued a general order outlawing shinplasters within his district.²⁹

By 1862 the last issuance of Virginia notes was authorized. When it came time to pay the Confederate war tax in 1862, or to make up any subsequent deficiencies in the state treasury, short term interest bearing notes were sold. For the most part, it was the banks that purchased these, but some individuals also invested in them. Although there were large amounts of treasury notes issued early in the war, a halt was called to this by March, 1862, but the authorized notes continued to roll from the presses through 1863. Bonds came to be the main brace of the state's monetary policy.³⁰

Virginia, in retrospect, was unique in that it did not issue change bills. It was also able to hold a fairly good check on the total volume of outstanding state currency. With the Confederate Treasury Department and the Army headquartered in Richmond, its need for military protection was not as great.

These Eastern states of the Confederacy demonstrated several common features in relation to money. In all there was a tendency by the state governments to desire specie for their own use while prohibiting citizens from securing it from banks. This was essentially the same policy that the central authorities followed.

Like the central government, the state officials had to find some way to finance their role in the war. Their early answer to this

problem was to use bonds on which interest had to be paid to raise money. The example of the Confederate government, however, appeared to inspire the state governments. They soon began printing paper money. This currency was accepted by the citizens of the issuing state. When the central authorities passed the War Tax to help the value of their issues, the state governments responded by assuming the obligation for their citizens. This extra expense was met by either selling bonds or by a further issue of treasury notes.

All of these states discovered that their paper money was being supplanted by Confederate Treasury notes. When this happened, the states found that their issues were not being returned to the state treasuries. The result of this was to prevent the easy retirement of the majority of the state notes. Increased monetary demands could be met only by further issuances of state paper money.

FOOTNOTES

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³ Ibid., p. 123; Acts of the Called Session of the General Assembly of Alabama (Montgomery: Shorter and Reid, 1861), pp. 9-10; Andrew B. Moore to James J. Donegan, April 9, 1861, Governor Andrew B. Moore Papers, 1860-1861, Alabama State Archives, Montgomery, Alabama; General Statement of the Bank of Selma, January 1, 1861, ibid.

⁴ Moore to J. D. Dengre, January 23, 1861, Moore to Donegan, March 16, 1861, H. A. Schroeder to D. B. Graham, October 28, 1861, ibid.; John Gill Shorter to W. P. Chilton, March 31, 1862, Governor John Gill Shorter Papers, 1861-1863, Alabama State Archives.

⁵ Acts of the Called Session, pp. 16-17; Moore to L. F. Zantzing, August 2, 1861, Governor Moore Papers; Shorter to J. F. Foster, February 1, 1861, Governor Letter Book, 1862-1865, Alabama State Archives.

⁶ Donegan to Moore, September 18, 1861, Governor Moore Papers; Acts of the Called Session, 1862, and of the Second Regular Annual Session of the General Assembly of Alabama (Montgomery: Montgomery Advertiser Book and Job Office, 1862), pp. 33-34, 35, 50-53; Shorter to J. F. Patterson and Company, November 11, 1862, J. F. Patterson and Company to Shorter, January 19, 1863, Governor Shorter Papers.

⁷ Acts of the Called Session, 1862, and Second Regular Session, pp. 30-32; Acts of the Called Session of the General Assembly of Alabama, 1863 (Montgomery: Montgomery Adviser Book and Job Office, 1863), p. 17; Acts of the Called Session, 1864, and of the Fourth Regular Session of the General Assembly of Alabama (Montgomery: Saffold and Figures, 1864), pp. 54-56.

⁸ Acts of the Called Session, 1862, and Second Regular Session, pp. 68-69.

⁹ Journal of the State Convention and Ordinances and Resolutions adopted in January, 1861 (Jackson, Mississippi: E. Barnsdale, 1861), pp. 126-127.

¹⁰Register of Treasury Notes, Record Group 30, Mississippi State Archives, Jackson, Mississippi; Laws of the State of Mississippi passed at a Regular Session of the Mississippi Legislature (Jackson: Cooper and Kimball, 1862), pp. 45-46, 244; Proclamation, December 9, 1863, Executive Journal, 1857-1870, Mississippi State Archives; Laws of the State of Mississippi passed at a Called and Regular Session of the Mississippi Legislature ... 1863 (Selma, Alabama: Cooper and Kimball, 1864), pp. 215-217; Statement of the Probable Indebtedness of the State of Mississippi, October 25, 1865, Record Group 30, Mississippi State Archives.

¹¹Laws ... passed at a Regular Session [1862], pp. 59-66.

¹²Ibid., pp. 247-248, 64; Laws of ... a Called and Regular Session ... 1863, p. 217.

¹³Laws ... passed at a Regular Session [1862], pp. 286-288; Laws of the State of Mississippi passed at a Called Session of the Mississippi Legislature ... August, 1864 (Meridian: J. J. Shannon and Company, 1864), p. 22; Statement of the Probable Indebtedness of the State of Mississippi, October 25, 1865.

¹⁴Laws of ... a Called and Regular Session ... 1863, p. 77; Laws ... passed at a Regular Session [1862], pp. 278-279; Laws of the State of Mississippi passed at a Called Session of the Mississippi Legislature ... March and April, 1864 (Meridian: J. J. Shannon and Company, 1864), pp. 37-38, 51-52; Laws of the State of Mississippi passed at a Called Session ... February and March, 1865 (Meridian: J. J. Shannon and Company, 1865), p. 7; Statement of the Probable Indebtedness of the State of Mississippi, October 25, 1865; Report of Notes Destroyed, January 1-May 17, 1865, Record Group 30, Mississippi State Archives.

¹⁵Laws of the State of Mississippi passed at a Called Session of the Mississippi Legislature ... July, 1861 (Jackson: C. Barnsdale, 1861), p. 39; Laws of ... a Called and Regular Session ... 1863, p. 234; John G. Humphries to John J. Pettus, June 13, 1863, S. J. Gholson to Pettus, October 24, 1863, Governor John J. Pettus Papers, 1860-1863, Mississippi State Archives.

¹⁶Laws of ... a Called Session ... March and April, 1864, pp. 27, 31; Treasurer's Report, 1864, Record Group 30, Mississippi State Archives; Statement of the Probable Indebtedness of the State of Mississippi, October 25, 1865.

¹⁷J. J. Williams to Isham G. Harris, December 8, 1860, Petition of the Citizens of Blount County, December 10, 1860, Governor Isham G. Harris Papers, 1857-1865, Tennessee State Archives, Nashville, Tennessee.

¹⁸Public Acts of the State of Tennessee passed at the Extra Session of the Thirty-Third General Assembly, April, 1861 (Nashville: J. O. Griffith and Company, 1861), p. 51.

¹⁹ Public Acts of the State of Tennessee passed at the Extra Session of the Thirty-Third General Assembly for the Year 1861 (Nashville: E. G. Eastman and Company, 1861), p. 21; Public Acts of the ... Extra Session ... April, 1861, p. 51; Public Acts of the State of Tennessee passed at the First and Second Sessions of the Thirty-Fourth General Assembly (Nashville: Griffith, Camp, and Company, 1862), p. 42.

²⁰ Public Acts of the ... Extra Session ... April, 1861, pp. 23-24, 41-42.

²¹ Message to the Senate and House of Representatives of Tennessee, June 18, 1861, Harris to Gideon J. Pillow, June 20, 1861, Message to the Senate and House of Representatives of Tennessee, June 18, 1861, Governor Isham G. Harris Letter Book, Tennessee State Archives.

²² Public Acts of the ... Extra Session ... April, 1861, p. 50; Public Acts of the ... Thirty-Fourth General Assembly, p. 38.

²³ Harris to the Gentlemen of the Senate and House of Representatives, February 20, 1862, Governor Harris Letter Book; Public Acts of the ... Thirty-Fourth General Assembly, pp. 26, 38; G. C. Torbett to Harris, June 7, 1862, Governor Harris Papers, 1857-1865.

²⁴ Criswell, Confederate and Southern State Currency, pp. 225-226.

²⁵ Ibid., pp. 282-284.

²⁶ Acts of the General Assembly of the State of Virginia, passed in 1861-2 (Richmond: William F. Ritchie, 1862), p. 30.

²⁷ Acts of the General Assembly of the State of Virginia, passed at Extra Session, 1862 (Richmond: William F. Ritchie, 1862), p. 4; Register of Notes issued in pursuance of an Act ... payable on demand to Bearer, and of the denomination of One Dollar, Virginia State Archives, Richmond, Virginia.

²⁸ Acts of the General Assembly of the State of Virginia, passed in 1861 (Richmond: William F. Ritchie, 1861), pp. 123-124; Daily Richmond Examiner, October 31, 1861; John S. Foster to Aunt Jennie, November 14, 1861, John Foster and Family Correspondence, Archives Division, Louisiana State University Library, Baton Rouge, Louisiana.

²⁹ Acts of ... Virginia, passed in 1861-2, pp. 85-86, 82-83, 84-85; Daily Richmond Enquirer, April 23, 1862.

³⁰ Register of Notes Issued in pursuance of an Act ... "for the assumption and Payment of the Confederate States War Tax" passed February 21, 1862, Virginia State Archives; Register of Notes Issued in pursuance of an Act ... "providing for Loans to supply Temporary Deficiencies in the Treasury," passed March 28, 1862, ibid.

CHAPTER V

CONTRASTS IN EASTERN STATES

PAPER MONEY ISSUES

The three remaining Eastern states--Georgia, North Carolina, and Florida--met the monetary challenge differently. Although most of the other Eastern states attempted to be orderly until war expenditures forced greater outpourings of paper currency, Georgia and North Carolina showed very little restraint. Florida, on the other hand, not only began the war with small quantities of paper money, but continued so for the remainder of the war. Even with an orderly monetary policy, Florida still encountered problems. An examination of these states provides a study in contrasts.

Georgia and North Carolina were not hesitant in resorting to the printing press. Paper money issues were authorized in 1861 and continued until the Confederacy collapsed. In both states it appears that many of the bills were collected by people as investments, and did not circulate to any great extent until produced in large quantities. The change bills that were printed, however, did circulate, some for a long time after the war. Florida on the other hand, was quite conservative in its state issuances. There were only small amounts of paper money printed at any one time and it took the government a relatively long time to exhaust the first series. There could not be wider diversity than between Florida and the states of Georgia and North Carolina.

Georgia

In the first year of Georgia's history as a Confederate state, paper money was not issued. Instead the bonds of the state were sold to the banks. In this way two things were accomplished. First, the state treasurer had several different accounts upon which he could draw at any time. Second, besides establishing an account, bank notes were sent to the state treasury and paid out there. On April 16, 1861, the Bank of Columbus in Columbus, Georgia, was sent \$35,000 in six percent bonds. John Jones, the treasurer of Georgia, asked the president of the bank, William H. Young, to dispatch \$25,000 in bank notes and keep the remainder of the amount due on the account. These accounts were then drawn upon for governmental debts, as when a specie check was sent to the Tredegar Iron Works in Richmond, Virginia, for supplies purchased from them. Apparently this arrangement proved to be satisfactory for most of the first year.¹

But this state of monetary affairs in Georgia did not continue for long. With the first appropriations bill passed by the legislature during the war came the initial mention of state treasury notes. As with all the subsequent authorizations by Georgia, no mention was made as to the total amount to be printed. Instead the December 14, 1861, act declared that if the governor found any deficiencies in the treasury and could not pay all the appropriations, he was to issue eight percent bonds maturing in thirty years, or treasury notes, fundable in eight percent stock or specie, but not until six months after a treaty of peace between the two nations. It was left to Governor Joseph E. Brown to do as he saw fit, and the governor was quite vocal as to how he felt

the state's interests could best be served.²

Brown indicated his feelings to R. R. Cyler, president of the Central Railroad and Banking Company in Savannah, Georgia, on December 30, 1861. He declared it was his intention to raise the money needed for military operations by issuing treasury notes. He intended to use bonds to procure bank money only for the three or four months that would be required to get the state bills printed. He admitted that increased paper would bring about depreciation, but he could not see any difference in the final outcome if the extra paper was in the form of state notes or bank bills. His final argument was that the "true and only question is one of interest." He explained this statement by saying, "Shall the State use her own bills without interest ... or shall she pay the Banks interest for their bills?" Governor Brown's answer to his own question was that he had resolved to look after the interests of Georgia, "and save her the interest ... if I can."³

And Brown was a man of his word. In laying the groundwork Re-tonion Sheveatt, the comptroller general of the state of Georgia, sought information from Confederate Secretary of the Treasury Memminger as to how the central government kept a register of its own notes. Treasurer John Jones informed the banks of the state that any bonds delivered to them would be drawn up for the entire amount loaned instead of by denomination. Although the comptroller general stated that \$5,000,000 was to be registered in this initial issuance, the total actually produced was \$2,320,000. This was only the beginning, and as the expenses continued to climb, so did the amount of money printed.⁴

With the Georgia appropriations bill passed on December 13, 1862, came another authorization for an unspecified total of notes to supply

any deficiencies. These bills were to be redeemable in specie or six percent bonds instead of the previous eight percent bonds. Again, like the earlier issue, neither principal nor interest were payable until six months after a treaty of peace. This may have been done to make the notes less attractive to investors, but in April, 1862, one man, a Dr. George D. Phillips, had asked about the possibilities of investment in these notes. He had, however, been advised against it by state officials, because any interest would be lost until after the war, and he would only be betting on the length of the struggle. Nevertheless, some people still held on to large sums. The amount of notes required in 1863 was more than double that of 1862, as \$5,268,000 was printed.⁵

By December, 1863, the volume of paper money in Georgia had grown fairly large. But the bills were congregating in only a few hands as was attested by the fact that some people were clamoring to be relieved of quantities of these notes. On December 14, 1863, the general assembly of Georgia passed a law allowing the state treasurer to accept these bills and issue certificates of deposit in the sums of \$10,000 and \$20,000 in lieu of them. These certificates had the same provisions for redemption as the original paper and only served to cut down on the volume. A total of \$560,000 was so exchanged by the end of the war. On December 12, 1863, a new type of treasury bill was authorized. The governor could have issued these notes or negotiated a loan until taxes were collected, but Governor Brown chose the cheaper way. These new pieces of paper were to be redeemed at the end of 1864 for Confederate Treasury notes, and when the central authorities changed to a new issue in early 1864, the law was amended on March 17, 1864, making the Georgia paper redeemable in the new Confederate note. If the state

bills, however, were not presented within three months of maturity, that is December 25, 1864, they could only be received for sums due to the state. But on March 9, 1865, this date was changed to March 25, 1866. The bills were issued in denominations of five, ten, twenty, fifty, one hundred, and five hundred dollars, to a total of \$8,895,000.⁶

On November 18, 1864, the Georgia governor had been once more empowered by the general assembly to make up any deficiencies in appropriations with treasury notes, and he again followed through with his instructions. By March, 1865, a total of \$1,700,000 had been issued, all in the denominations of five and fifty dollars. And in May, 1865, \$70,000 in ten dollar bills, redeemable for Confederate notes on December 25, 1865, came off the presses. This was the last paper money to be produced by Georgia. Unlike most of the other states in the former Confederacy, no further issue was ever printed during the period of Reconstruction.⁷

In 1864 authorization finally came in Georgia for the destruction of state notes, when in November the treasurer was permitted to burn any paper redeemed in accordance with the December 25, 1864, deadline, as well as any other bill found unfit for circulation. When the troops of the United States began to close in on the capital of Milledgeville, and the government had to flee, the state treasury was permitted to remove from the area by action of the general assembly. In addition, the state treasurer was authorized to burn any amount of the notes he thought proper in order to reduce the great bulk. Because of this blanket authority, there is no way of estimating the amount outstanding at the end of the war.⁸

But besides these monetary problems in Georgia, there was also the question of change. On November 30, 1860, a suspension bill had been passed over the governor's veto. Later, a requirement was added that all suspended banks, after January 1, 1862, must issue small change bills in the denominations of five, ten, twenty-five, and fifty cents. On October 26, 1861, shinplasters were legalized, but had to be destroyed as they were redeemed and not reissued. Change bills were later authorized for the city of Augusta and the Western and Atlantic Railroad. The former was limited to \$100,000 and the latter to \$200,000. On December 1, 1863, the banks were further required to issue a seventy-five cent note in addition to the previously required fractional amounts, as well as one, two, and three dollars.⁹

It would seem though that this did not satisfy fully the change demand in Georgia. On December 5, 1862, the state entered the arena with notes in the values of five, ten, fifteen, twenty, twenty-five, fifty, and seventy-five cents as well as one, two, three, and four dollars. A total of \$1,000,000 could be printed and they were to be exchanged for bank, Confederate, or state notes but could be redeemed only later for Confederate notes. By the end of 1863, an amount of bills equal to \$501,660 had come from the presses. On December 14, 1863, another series of small change bills was granted, to the total of another \$1,000,000. Although they were to be issued under the same terms as the others, it would seem that only denominations of fifty cents, plus one, two, three, and four dollars were printed. And it also appears that they continued to be printed in 1865. The amount printed in 1864 came to \$809,782, and an additional \$15,250 was produced in April, 1865. The total sum of change bills issued then came to \$861,532.¹⁰

Georgia, therefore, provides an example of indiscriminate printing of paper money by a Confederate state. Except for the change notes, no limit was put on each issue when authorized. It is to Georgia's credit, however, that it showed some restraint in printing paper money. Even so, a total of \$19,716,192 was printed, and this does not include the state's bonds. There is little wonder that Georgia did not need to print more money during Reconstruction.

North Carolina

An equally bad offender was North Carolina, which had committed itself to a policy of paper money long before Confederate history began. As late as June 30, 1823, the state was still redeeming and destroying the currency it had issued in 1783 and 1785. And the next year came reports of the destruction of worn and redeemed North Carolina treasury notes issued in 1814 and 1816. It is possible that the treasury notes were not intended as a general circulating medium, but this does not seem likely since some were worn by use.¹¹

In keeping with this background, as soon as North Carolina joined the Confederacy, it provided for paper money. On May 11, 1861, the legislature voted \$3,250,000 in treasury notes. Unfortunately, the secession convention did not agree with the legislature. On June 28, 1861, it passed an ordinance which authorized \$200,000 in change bills of the values of ten, twenty-five, and fifty cents, redeemable on January 1, 1866, as well as \$3,000,000 in six percent bonds, payable in one year. This ordinance further abrogated and annulled the May 11, 1861, act of the legislature. It also permitted the banks to suspend specie payment, which the legislature had done on November 24, 1860, and

allowed the banks to print notes of one, two, and two and one-half dollar values.¹²

The secession convention of North Carolina provided that the ordinances it passed could be changed by the legislature, and that is what happened on September 20, 1861. A total of \$1,000,000 in state notes in denominations of one and two dollars was authorized, and change bills were issued with the addition of a five and twenty cent note added to the list of those already authorized. Apparently both the May 11 law and the June 28 ordinance were ignored in favor of this issuance. Both of these types of notes appeared with October, 1861, dates printed on them. When the secession convention met again, it amended the legislature's act, providing for \$3,000,000 in treasury notes of five, ten, twenty, fifty, one hundred, and two hundred dollar amounts, bearing six percent interest. Principal and interest were payable at maturity and the notes could be exchanged for six percent bonds. This ordinance was passed on December 1, 1861, but on January 25, 1862, the secession convention amended it to rescind the interest and provided that all the remainder of the notes to be issued would be in denominations of five, ten, and twenty dollars. In all, the denominations printed were five, ten, twenty, fifty, and one hundred dollars. Some of the amounts above twenty dollars may have come after a February 4, 1862, ordinance authorized them. The final amendment to this ordinance came on February 26, 1862, when the secession convention provided for funding the notes in eight percent bonds or in six percent bonds, the latter being convertible into state treasury notes. This was done in order to achieve acceptance of the bills by the banks.¹³

An additional \$1,500,000 was authorized by the February 26, 1862,

North Carolina ordinance as well as another \$1,000,000 in notes of ten, twenty, twenty-five, and fifty cents, and one and two dollars. These and the other notes could also be reissued by the state treasury any-time they had been paid to the state. Thus a total of \$5,500,000 had been authorized, but only the change notes were redeemable on January 1, 1866, and the rest were due one year earlier. In an act of peace keeping, both the September 18, 1861, act and the December 1, 1861, ordinance and all issues of notes and bonds were ratified and confirmed. The final ordinance of the secession convention dealing with money was passed on May 12, 1862. It granted an additional \$2,000,000 in five, ten, and twenty dollar values as well as \$20,000 worth of five and ten cent notes. The total that could be printed came to \$7,520,000.¹⁴

North Carolina was not slow in issuing this money, for in one month alone, April, 1862, a total of \$85,978 was printed in fractional notes and \$228,000 in the larger denominations. But very soon even more money was needed by the state. On December 20, 1862, another \$4,500,000 was voted in the denominations of one, two, three, five, ten, twenty, and fifty dollar, as well as five, ten, twenty-five, fifty, and seventy-five cent values. All of these notes were payable on January 1, 1866, as were most of the other issues. On December 12, 1863, another \$400,000 was printed in twenty-five and fifty cent bills. The final authorization came on May 28, 1864, when another \$3,000,000 was voted, payable two years after the treaty of peace ending the war. This act, however, was amended on December 14, 1864, to make these fundable on January 1, 1876. Indeed, the December 14 law made all state treasury notes that had been or would be issued fundable and payable on January 1, 1876, instead of January 1, 1866. And when they were redeemed in

1876, they could only be exchanged for coupon bonds which were not due until January 1, 1896. Obviously the state needed more time to meet its obligations. Although an additional \$3,000,000 was authorized, there is no evidence it was ever issued unless the sum was printed from old plates. No bill has yet been found dated late enough for the \$3,000,000 issue.¹⁵

The ordinances produced a currency for North Carolina, but there was continual need for state money for several reasons. The main cause for this condition can be found in the fact that the state attempted to keep close control over all of its economic and monetary affairs. Indeed, the authorities even tried to pay their troops in the Confederate Army with state treasury notes but failed. A committee was appointed to look into this and found there were several explanations for this inability to pay the troops with state money. When the banks in North Carolina refused to accept the state bills, the secession convention passed an ordinance making them fundable in eight percent bonds. This was designed to make the bills a currency, but it also served to make them command a premium in Richmond, Virginia. When the North Carolina notes were delivered to the state paymaster in Virginia, they immediately found their way into the hands of brokers and speculators who converted them. Bonds were then sold for Confederate Treasury notes at par and a rapid profit was made. In this way the larger notes did not readily circulate and greater and greater quantities were required. It was also found that, except for purposes of conversion, Virginia merchants tended to reject the North Carolina paper. Eventually the volume of money issued by the state became quite large.¹⁶

Confederate paper money soon flooded North Carolina. When it came

time to convert old issues of Confederate notes to new in 1864, one paymaster alone reported that he had \$112,817 on hand by April 1, 1864, and by August 23 had received another \$2,550. When the banks had refused in late 1861 to take North Carolina notes, state authorities first debated forcing their acceptance under penalty of law, but this was tabled when funding was considered. Slowly state bills gained intrastate circulation alongside Confederate paper. Eventually there was so much paper that the value began to decline. When that happened, Governor Zebulon B. Vance started his own blockade-running business for the state. A ship was purchased and cotton was shipped to Europe, sold for pounds sterling, and the proceeds used for purchasing supplies which were then shipped back to North Carolina. Therefore, beginning January 4, 1864, Vance was able to bypass the monetary problems encountered by the state.¹⁷

North Carolina overextended monetarily and could save itself only by entering the blockade-running business. Well over \$10,000,000 in state treasury notes was issued and it took many years for these to be liquidated. Probably because of this, North Carolina, like Georgia, never issued a treasury note during the Reconstruction period; however, the issuance of bonds by North Carolina during Reconstruction was large.

Florida

While Georgia and North Carolina exercised little control over their monetary volume, Florida was much more orderly. Its issues were small and it took time to exhaust each issuance. Like North Carolina, Florida had conflicts between the legislature and the secession

convention over the control of monetary policy. On February 14, 1861, the general assembly of Florida authorized \$500,000 in treasury notes, with the stated denominations of one, two, three, four, five, ten, twenty, fifty, and one hundred dollars. The notes were to be legal tender for all payments to the state and were encouraged to circulate as currency. Shinplasters were declared illegal and banks were forced to accept Florida notes upon danger of having to remove from the state. A debt limit of \$1,000,000 was placed upon the state by this law, and the total included treasury notes, bonds, and any other liabilities. The secession convention, however, had other ideas. On April 26, 1861, it passed an ordinance which authorized \$500,000 in eight percent bonds, payable in ten years, in lieu of the treasury notes voted by the February 14 act of the legislature. The bonds were printed but problems arose concerning their sales. As John C. McGehee told the secession convention on January 14, 1862, the bonds could not be fully marketed. Obviously, something needed to be done.¹⁸

Apparently the legislature acted to correct this situation. The first issue of Florida treasury notes, probably with the same \$500,000 limit that had been set previously, appeared with the date of October 10, 1861. These notes bore the denominations of one, two, three, five, ten, twenty, fifty, and one hundred dollars, with a possible five hundred dollar bill. When the Confederate war tax was passed, Florida had to find some means of paying it. The first idea, proposed in December, 1861, was to use Florida notes to pay its citizens the money owed to them by the central government, and return a part of the Confederate appropriation of \$300,000 which was due to the state, but this plan was defeated. Instead a general assembly bill was passed on December 16,

1861, providing for an issue of \$500,000 in treasury notes which would be exchanged at the banks for Confederate bills. Any bank receiving these Florida notes at par could suspend specie payment. These bills were issued in 1862 and used at that time.¹⁹

On December 6, 1862, the Florida general assembly forced the governor to issue the remaining bills that had already been authorized and use them, with at least \$200,000 of these going to the relief of disabled soldiers and their families. The reason for this action may have been the proliferation of Confederate notes. Even in late 1861 the quartermaster general of the state, H. V. Snell, had to use Confederate paper money for purchases in Georgia because Florida notes did not pass out of the state. But they still had a circulation within the state and this required even more to be printed to meet state debts.²⁰

The next issue of paper money in Confederate Florida was approved on December 13, 1862. Originally the \$300,000 authorized by this law was to be divided among the denominations of one, two, three, five, ten, twenty, fifty, and one hundred dollars, but an amendment made \$50,000 of this sum printable in fractional amounts. On November 30, 1863, a further amendment deleted the \$50,000 in one hundred dollar bills and changed it to one dollar bills and fractional amounts. When the notes were issued there were no fifty or one hundred dollar values, and the fractionals were in the denominations of ten, twenty-five, and fifty cents.²¹

The requirements of the poor in Florida again became a problem and money was needed for their relief. On December 3, 1863, another \$300,000 issue of Florida notes was authorized for the relief of destitute soldiers' families and other indigent individuals. These bills

came from the printing presses in 1864. As can be expected, the highest face value issued was ten dollars. The final issue of notes came when \$350,000 was approved on December 7, 1864, to meet the wants of the government. They were being issued in 1865 when the end of the war called a halt to this activity.²²

Even though suspension of specie payments was not allowed at first, specie still began to disappear. When the Florida government could not issue its own notes in the beginning of the war, it had to borrow bank notes at rates as high as eight percent. Most state revenue came from land sales, and only coin or solvent bank notes could be used for these purchases. But on January 23, 1862, Confederate paper was added to the list. As this and other state sources dried up, it led John C. McGehee to comment on January 14, 1862, that it had become necessary for the state to use credit for money. It had been on December 14, 1861, that specie suspension was approved until twelve months after the end of the war, and some action was needed on change bills. Attempts to legalize all shimplasters failed, but certain ones were allowed by the general assembly. Pensacola, for example, was permitted, on December 17, 1861, to print \$25,000 in five, ten, twenty-five, and fifty cent notes. But private change bills were produced without regard to whether the state permitted it or not. All shimplasters were finally outlawed on December 13, 1862, when the state issuance of small change notes was authorized.²³

As Confederate paper appeared more often in daily business affairs within Florida attempts were made to assure its acceptance throughout the state. One proposal was to have a law whereby any creditor who refused either Confederate or Florida notes in payment of a debt would

lose all the interest on the loan and could only recover the principal, but this failed to pass the general assembly. Finally, a resolution was passed on December 3, 1863, that if any man refused Confederate bills and was exempt from military service, he would be impressed into the armed forces immediately. As the war progressed, all paper money declined in value, few Florida notes returned to the state treasury, and the Confederate paper was used for all taxes and land sales. In 1864, with the small total of only \$1,103,622.07 outstanding, even Florida notes declined. The governor blamed the Confederate bills for dragging down the value of Florida's notes. To remedy this, he urged the general assembly to make only Florida paper receivable in payment of Florida taxes. A bill providing for half of the state taxes to be paid with state bills was proposed, but it never passed. On December 7, 1864, the governor was empowered to sell all Confederate bonds and Treasury notes on the best terms and use the money for state expenses.²⁴

By the end of the war, Florida's entire debt could not have exceeded \$1,500,000. In this way it was the most orderly of all the Eastern Confederate states and was commendable in its monetary endeavors. Even without a single large issue of bonds, the state was still able to provide for its needy and its military forces, and it did so at far less cost than any of the other states. Thus Florida could have served as an example for all other Confederate states.

The Eastern states of the Confederacy varied slightly in their approaches to the monetary needs of the war. All except South Carolina and Kentucky issued treasury notes, but depending on military necessity and the degree of control the states exercised over their affairs, the volume of paper required by the note issuing states was anywhere from

orderly to outrageous. Only Florida can be applauded for its monetary control efforts, while Georgia and North Carolina, both of which tried for strong restraint over all of their affairs, had the greatest debts. North Carolina salvaged itself through blockade-running and a large issue of bonds after the war. Georgia was also to place a strong reliance on bonds after the war.

The Eastern Confederate states also show what happens with the use of paper money unsecured except for faith in the states themselves. All states either authorized or issued interest-bearing notes at first. As long as these were small in volume, they seemed to be acceptable to many people. When North Carolina's first notes were not backed by bonds, they were usually not acceptable anywhere. After they were made convertible into bonds, they became more valuable than Confederate paper money and did not circulate outside of the state; only through overprinting was intrastate circulation achieved. Mississippi's cotton notes were also acceptable to the public because they were convertible into cotton. But when states began redeeming their paper money with Confederate bills alone, the monetary needs of the state governments dictated the volume of notes outstanding must climb. Even Florida had to resort to the printing press more often in the later part of the war as the value of its bills declined. Beginning with the notes authorized on December 13, 1862, Florida's bills contained the wording that public lands of the state were pledged for their eventual redemption. Perhaps because of this, Florida's paper money declined comparatively little in value.

The Eastern Confederate states also exhibited jealousy between the secession conventions and the state legislatures over control of

monetary policy. In several states, these arguments led to the cancellation of early series of notes voted by the legislatures in favor of bond issues. But this conflict did not last for long. As Georgia's Governor Brown wisely observed, it cost the Confederate state governments less to print their own currency than to borrow bank notes for interest-bearing bonds. This consideration must have been of supreme importance, for bond issues grew smaller as the volume of paper money grew larger.

FOOTNOTES

¹ John Jones to G. W. Mercer, April 12, 1861, Jones to William H. Young, April 16, 1861, Jones to J. R. Anderson and Company, May 15, 1861, Treasurer's Letter Book, 1851-1861, Georgia State Archives, Atlanta, Georgia.

² Acts of the General Assembly of the State of Georgia, passed in Milledgeville at an Annual Session ... 1861 (Milledgeville: Boughton, Nisbet, and Barnes, 1862), p. 13.

³ Joseph E. Brown to R. R. Cuyler, December 30, 1861, Executive Letter Book from August 21st 1860 to May 12th 1864, Georgia State Archives.

⁴ Retonian Sheveatt to Memminger, December 18, 1861, Confederate Office of the Register, Letters Received, March 20, 1861-June 18, 1862; Jones to John P. King, December 22, 1861, Treasurer's Letter Book, 1851-1861; Sheveatt to Memminger, December 18, 1861, Confederate Office of the Register, Letters Received, March 20, 1861-June 18, 1862; Issuance of Treasury Notes, W. C. Mitchell Ledger, 1843-1863, p. 432, Georgia State Archives.

⁵ Acts of the General Assembly of the State of Georgia, passed in Milledgeville at an Annual Session ... 1862, also Extra Session of 1863 (Milledgeville: Boughton, Nisbet, and Barnes, 1863), pp. 14-15; Jones to Dr. George D. Phillips, April 11, 1862, Treasurer's Letter Book, 1851-1861; Issuance of Treasury Notes, W. C. Mitchell Ledger, 1843-1863, p. 432.

⁶ Acts of the General Assembly of the State of Georgia, passed in Milledgeville at an Annual Session ... 1863, also Extra Session of 1864 (Milledgeville: Boughton, Nisbet, and Barnes, 1864), pp. 13-14, 79, 161; Acts of the General Assembly of the State of Georgia, passed in Milledgeville at an Annual Session ... 1864, also Extra Session of 1865, at Macon (Milledgeville: Boughton, Nisbet, and Company, 1865), pp. 45-46; Treasury Notes Registers, all denominations, Georgia State Archives; Issuance of Treasury Notes, W. C. Mitchell Ledger, 1843-1863, p. 432.

⁷ Acts of ... Georgia ... 1864, ... 1865, p. 10; Treasury Notes Registers, all denominations; Issuance of Treasury Notes, W. C. Mitchell Ledger, 1843-1863, p. 432.

⁸ Acts of ... Georgia ... 1864, ... 1865, pp. 10, 33.

⁹ Acts of the General Assembly of the State of Georgia, passed in Milledgeville at an Annual Session ... 1860 (Milledgeville: Boughton, Nisbet, and Barnes, 1861), p. 22; Acts of ... Georgia ... 1861, pp. 19, 25, 26-28; Acts of ... Georgia ... 1862, ... 1863, pp. 18, 15.

¹⁰ Ibid., p. 21; State Change Bills, W. C. Mitchell Ledger, 1843-1863, p. 433; Acts of ... Georgia ... 1863, ... 1864, pp. 14-15; Criswell, Confederate and Southern States Currency, pp. 147-148; State Change Bills, W. C. Mitchell Ledger, 1843-1863, p. 433.

¹¹ Report of the Commission to burn Worn and Redeemed Treasury Notes, June 30, 1823, and December 23, 1824, Treasurer and Comptroller Papers, Miscellaneous Group (Currency), North Carolina State Archives.

¹² Ordinances and Resolutions passed by the State Convention of North Carolina (Raleigh: John W. Syme, 1862), pp. 42-45; Public Laws of the State of North Carolina passed ... at its Adjourned Session 1860-1861 (Raleigh: John Spelman, 1861), p. 7.

¹³ Ibid., p. 132; Criswell, Confederate and Southern States Currency, pp. 192-199; Ordinances and Resolutions ... of North Carolina, pp. 57-62, 79-80, 107, 129-130.

¹⁴ Ibid., pp. 130-132, 173-174.

¹⁵ Reports of the Treasury Department, April 30, 1862, Treasurer and Comptroller Papers, Miscellaneous Group (Currency); Criswell, Confederate and Southern States Currency, pp. 210-218; Public Laws of the State of North Carolina passed ... at its Adjourned Session 1864-1865 (Raleigh: Cannon and Holden, 1865), pp. 15, 24.

¹⁶ North Carolina General Assembly, 1862-1863 Session, Report of the Joint Committee ... to Enquire into the Causes why Soldiers were paid in Confederate Treasury Notes instead of North Carolina Notes (Raleigh: W. W. Holden, 1863), pp. 1-14.

¹⁷ W. B. Gulick, certification of amounts received, August 23, 1864, Governor Zebulon B. Vance Papers, 1863-1865, North Carolina State Archives; Ordinance, January 29, 1862, Secretary of State Papers, Constitutional Convention, 1861-1862, Tabled and Postponed Bills, North Carolina State Archives; Sterling Exchange Accounts, 1864-1865, Treasurer and Comptroller Papers, Military Papers, Quartermaster and Blockade Accounts, 1861-1864, North Carolina State Archives.

¹⁸ Acts and Resolutions adopted by the General Assembly of Florida, at its Tenth Session (Tallahassee: Dyke and Carlisle, 1861), pp. 43-46; Constitution ... of Florida, Revised and Amended at a Convention begun ... on the Third Day of January, 1861. Together with the Ordinances adopted by said Convention (Tallahassee: Dyke and Carlisle, 1861), p. 55; Journal of the Convention ... begun and held ... in the City of Tallahassee on Tuesday, January 14, 1862 (n. p.; n. d.), p. 6.

¹⁹ Criswell, Confederate and Southern States Currency, pp. 125-129; A bill to be entitled, "An act to provide for the payment of the War Tax to be assessed upon and collected from the Citizens of this State," Bills of the House, 1861-1865, Florida State Archives, Tallahassee, Florida; An act to authorize an issue of Treasury Notes to pay the War Tax, ibid.

²⁰ Acts and Resolutions adopted by the General Assembly of Florida, at the First Session of its Twelfth Assembly (Tallahassee: Dyke and Carlisle, 1862), p. 19; Journal of the Convention ... 1862, p. 75.

²¹ An act to provide for an additional issue of Treasury Notes, Bills of the House, 1861-1865; Acts and Resolutions adopted by the General Assembly of Florida, at its Twelfth Session (Tallahassee: Dyke and Sparhawk, 1863), p. 23; Criswell, Confederate and Southern States Currency, pp. 131-135.

²² Acts and Resolutions ... of Florida ... Twelfth Session, p. 19; Acts and Resolutions adopted by the General Assembly of Florida, at its Thirteenth Session (Tallahassee: Office of the Floridian and Journal, 1865), p. 34.

²³ Acts and Resolutions ... of Florida ... Tenth Session, pp. 86, 230; Constitution ... Together with the Ordinances, p. 60; Journal of the Convention ... 1862, pp. 80, 6; An act to allow the Banks to suspend, An act to allow Pensacola to issue change bills, An act to provide for an additional issue of Treasury Notes, Bills of the House, 1861-1865.

²⁴ A bill to be entitled, "An act to support the credit of Confederate and State Treasury Notes," ibid.; Acts and Resolutions ... of Florida ... Twelfth Session, p. 55; Journal of the Proceedings of the Senate ... of Florida at the Thirteenth Session (Tallahassee: Office of the Florida Sentinel, 1864), p. 18; A bill to be entitled, "An act to raise the State tax of the State of Florida and to provide an additional issue of Treasury Notes," Bills of the House, 1861-1865; Acts and Resolutions ... of Florida ... Thirteenth Session, p. 34.

CHAPTER VI

THE TRANS-MISSISSIPPI MONETARY SITUATION

The Trans-Mississippi Confederacy faced many of the same problems as the Eastern states, but was blessed with one great benefit that the rest of the Confederacy did not enjoy. Because these states were west of the Mississippi River, they had an unobstructed land route to Mexico and a foreign market. Arkansas, Louisiana, and Texas could all make use of this advantage. Missouri could have and probably would have, but the quick capture of the state by the forces of the United States and the subsequent exile of the Confederate state government, made its monetary history unique. Arkansas and Texas relied on treasury warrants; Louisiana, on treasury notes; and Missouri, on bonds that circulated as currency. These Trans-Mississippi states were similar yet different from the Eastern states, for all of them turned from paper money to a reliance upon commodities and specie, and thereby steered a different monetary course from the Eastern Confederacy.

Arkansas

The coming of secession, and later war, brought a grave problem to Arkansas. Although most of the other states had been able to count upon their banks for paper money, this state could not, because there were no banks in Arkansas prior to the war. The only money that could be associated with the state and circulated in Arkansas before

secession was known as swamp money scrip, authorized on January 6, 1851, by the legislature. This money represented one-quarter section tracts of undeveloped swamp land and was transferable. Although there was continual talk of retiring the scrip, it was kept alive from year to year by legislative action, and on November 22, 1862, all of the issue was revived once more. Obviously it was felt that there was a need for it. The only other money circulating in the state prior to 1861 was specie and the bank notes of other states, particularly Louisiana.¹

The Arkansas Secession Convention was the first to act in monetary matters. On May 11, 1861, two ordinances were passed. The first levied a tax of one-quarter of one percent on the value of all property and appropriated all funds in the treasury, except the school fund, for military purposes. The second voted a \$2,000,000 issue of eight percent coupon war bonds, with values from five to five hundred dollars, and permitted the state treasurer to issue warrants, also bearing eight percent interest, any time he did not have enough funds in the treasury to pay the auditor's warrants. The state treasury warrants were to be dated and numbered and were to be paid according to the date and number; however, these warrants were also receivable for payment of state debts at any time. On June 1, 1861, the convention decided that no more than two-thirds of any tax could be paid in state bonds, the coupons of these bonds, or treasury warrants. The remainder of the tax was to be paid in coin or overdue coupons. The same day, June 1, the denominations of all treasury warrants were limited to five dollars and above. The way was then open for the legislature to act.²

Arkansas treasury warrants did not circulate well at first. North

Carolina surmounted this problem by making its notes fundable in bonds, but the Arkansas warrants already carried interest. On November 18, 1861, the legislature circumvented this annoyance by passing a law which stated that any creditor who refused Arkansas treasury warrants or Confederate Treasury notes and bonds in payment could take no further action to collect the money due until two years after the end of the war. The same day the legislature declared that any bank note could circulate within the state, but shinplasters "or other irresponsible paper" were not allowed.³ In order to supply the need for small denominations, the June 1, 1861, ordinance fixing five dollars as the smallest value warrant, was repealed on November 18, 1861, and non-interest bearing notes of one, two, and three dollars face value were authorized. Four days prior to this action, the requirement that one-third of all taxes be paid in specie or overdue coupons had also been repealed, and Confederate paper was allowed in payment of all sums owed to the state.⁴

Like all the other states, Arkansas also had to face the problem of the Confederate War Tax. On November 18, 1861, it was proposed to pay this by cancelling as much of the debt the central authorities owed to Arkansas as was required to meet the payment, but this plan was rejected. On March 21, 1862, it was decided to pay the tax by having the state treasurer pay it with warrants bearing eight percent interest. If the central government refused this offer, then Governor Henry M. Rector was empowered to dispose of these, at the best terms possible, and use Confederate bills in settlement of the tax. A total of \$650,000 was then appropriated for this purpose on March 22, 1862. Rector had to sell these warrants because the answer by the Confederate

authorities was that the tax must be paid either in specie or Confederate Treasury notes.⁵

As the needs of Arkansas continued to mount, the interest-bearing warrants became less and less attractive to state officials. On November 21, 1862, this provision was deleted and from then on the warrants were non-interest bearing. Confederate paper became more accepted in the state and circulated widely. On December 1, 1862, the collection of any and all taxes, except those due for 1861, was suspended until further notice. That same day fractional notes, in the denomination of twenty-five and fifty cents, as well as the one, two, three, and five dollars previously authorized, were permitted to be paid out on demand. This law was to take effect on December 15, 1862. On October 1, 1864, the final step towards a state currency was taken when the treasurer was empowered to reissue non-interest bills for the amount of principal and interest of deposited interest-bearing warrants.⁶

Shinplasters contrary to law and county scrip were circulating in Arkansas, but there still must have been need for fractional notes. None of the state change bills, however, have survived the passage of time. Either they were never issued, or the quantities were so small that they have disappeared. The latter would seem more likely, as every other state that authorized change bills had a large demand for them. It may be that the county scrip and suspension of taxes dried up demand, but this does not appear reasonable. In all probability the twenty-five and fifty cents state change notes existed. The suspension of taxes would have forced the state to use some form of small change to meet its own requirements.⁷

By September, 1863, one man living in southwestern Arkansas commented that only Confederate notes were in circulation in that area. In October, 1864, the state passed a law forcing county treasurers to accept Confederate notes as well as state and county paper. Thus Confederate paper money was slowly supplanting all other currency within Arkansas. When the time came to convert the old Confederate issues, the state depositor, Edward Cross, informed Governor Harris Flanagin that the paper was being presented daily and that considerable amounts were being funded in bonds.⁸

But in 1864, the state of Arkansas was slowly moving away from its total reliance on paper money. No Arkansas treasury warrant has been found dated later than 1863, and state officials were looking to other means of helping their citizens. Cotton and wool cards were necessary to convert raw products into a form more easily made into fabric, for clothing was desperately needed by the people. On October 1, 1864, a total of \$35,000 in specie was appropriated by the legislature to pay for cotton and wool cards and medicines to distribute to the families of soldiers. Governor Flanagin, however, was also investigating the possibilities of setting up machines to manufacture cotton and wool cards rather than buying them. Governor Henry W. Allen of Louisiana advised him that it would take four months to set up the machines and urged him to purchase them at Memphis, Tennessee, instead. But Flanagin went ahead with his plans even though he ran into problems. The specie appropriation was needed because Governor Flanagin's agent, H. H. Carter, advised him that the old Treasury note issues would not buy anything in the places he went. Thus Arkansas came to rely more on

specie and commodities, while paper money lost value and favor. Efforts to force acceptance of currency seemed to have worked only for a while.

Louisiana

The state of Louisiana would cling to paper money for a longer period of time, but even this area eventually turned its back on it. Perhaps this was because some of the state was located east of the Mississippi River, but by the end of 1862 most of this section had been lost to invasion by forces of the United States. Louisiana state authorities had found themselves in an enviable position during most of 1861, for the state was blessed with an abundance of specie, and the banks were required to redeem their notes for coin whenever people requested it. The port of New Orleans, a main trade area for decades before 1861, provided a vast amount of wealth for the state, and the notes of the city's banks enjoyed wide circulation and were highly favored by many people. If it were not for the fact that fighting came early to the state, it might have made it through the entire war without issuing paper money.

There was enough money in Louisiana so that the secession convention could generously transfer its bullion fund and all its customs receipts, a total of \$536,787.72, to the Confederate government. Most, if not all of this sum, was probably in specie. The reason for this superabundance of specie may be found in the banking laws of the state. Even as late as March 27, 1861, an ordinance of the secession convention required new banks to have two-thirds of their capital in coin before they could begin operations, and the rest must be made up in the

first year of business. No bank note lower than ten dollars could be issued, and the total outstanding could not exceed three-fourths of the bank's paid capital. With this ordinance, the secession convention ended its concern with money.¹⁰

The Louisiana legislature was also delving into the problem of state finances. On March 20, 1861, the governor was instructed to borrow \$300,000 in specie or bank notes from the banks, provided it could be done without interest; the money was to be repaid out of the state's revenues for 1861. The money was soon loaned, with the Citizens Bank at Opelousas and similar institutions joining in the effort. But the situation in early 1861 did not continue to be as favorable for the remainder of the year. Specie and bank notes were beginning to be withdrawn and times got harder. By May one woman, Kate Stone, was complaining that her brother, William R. Stone, found it difficult to raise enough money to keep their upper Louisiana plantation open. He finally obtained the money by pledging cotton at a bank in New Orleans. By July it was becoming difficult to even break a ten dollar bill in the city of New Orleans. To make matters worse, Governor Moore urged the banks in Louisiana to suspend specie payment on September 18, 1861, an action that the legislature legalized on January 20, 1862. No longer could the public obtain specie until twelve months after the war, but the banks could loan coin to both the state and central governments. In New Orleans there was a dearth of silver money by September 22 and no specie at all by November 2.¹¹

With suspension of specie payments in Louisiana came a number of remedies for the shortage of change. Shinplasters, omnibus tickets, and all manner of other items were pressed into service. Rising prices

were also noticeable inside and outside of New Orleans. Even as early as September 28, 1861, there were complaints that prices were exorbitantly high, and by November a bar of soap, which had cost twenty cents before the crises, was selling for one dollar. On January 20, 1862, banks were allowed to print bills under the denomination of five dollars, but the state did not act for some time after that.¹²

Also in January, 1862, the Louisiana legislature authorized \$7,000,000 of eight percent bonds, payable in three to ten years, or non-interest bearing treasury notes. Both of these were to be sold for New Orleans bank notes or Confederate bills. The bonds were sold, but, for the most part, only until the treasury notes were ready; they were delivered by April, 1862, and used immediately. A safe estimate of the total amount of notes issued in this first authorization is \$4,000,000. They were needed because, on January 23, 1862, the collection of all taxes was suspended. The same day Confederate notes were made receivable for all amounts owed to the state and local governments.¹³

A hard blow was dealt to Louisiana by the loss of New Orleans in April, 1862. On April 29, 1862, a notice appeared in New Orleans newspapers urging all shops to remain open and receive any ordinary currency. The people who wished to divest themselves of Confederate bills were instructed to take them to the Committee of Public Safety where they would be exchanged for City of New Orleans bills. The committee was also responsible for issuing a list of corporations and cities that had issued change notes which were considered sound. Memminger saw to it that some of the banks' specie was removed before the city fell, and Governor Moore helped supervise the removal of the rest. Only

Confederate paper was left in New Orleans, and Major General Benjamin F. Butler had the Confederate government accounts seized. He later dispatched the total confiscated to the Secretary of the Treasury in Washington, D. C.¹⁴

More money was then required by Louisiana, all specie was gone, and no taxes were being collected which would have brought funds into the treasury. This state of affairs led to the approval by the legislature of another issue of \$20,000,000 in state non-interest treasury notes in denominations from five to one hundred dollars on January 3, 1863. As before, these bills were not redeemable until twelve months after a treaty of peace. While these notes were being issued, change bills were being discussed. On June 20, 1863, unauthorized shinplasters were no longer to be issued under penalty of a fine of \$1,000 for each bill produced. Change bills were permitted, however, for the various parishes, cities and towns, and chartered banks. The first state issuance of change notes, and the last state money, was approved on February 11, 1864. At that time \$300,000 in twenty-five and fifty cent notes and one dollar bills was allowed, but the governor was empowered to halt printing before this total was reached if he deemed it best. On February 8, 1864, six percent bonds maturing in twenty to forty years to a total of \$10,000,000 were also voted.¹⁵

Apparently Governor Henry W. Allen hoped to exchange the Louisiana bonds for Confederate Treasury notes at the treasury in Richmond. In order to facilitate this, Allen sent a man to Richmond on February 22, 1864, but Memminger declined the suggestion on March 31, 1864. At this point Allen fell back on the sale of cotton for specie. Both cotton and tobacco from Louisiana were sold in Texas, and Allen even set up

machines to make cotton and wool cards to distribute to the needy. In October, 1864, the state also intervened between citizens and merchants in order to obtain an arrangement whereby people could secure salt for Confederate paper money. By 1865 a man in Shreveport was selling coin to Louisiana authorities for cotton.¹⁷

Finally, as was the case in Arkansas, officials in Louisiana eventually moved towards the sale of commodities for coin, and the use of it for necessary expenses. Confederate paper money was used to the end of the war, but special arrangements had to be made as the inevitable became more apparent in order to get people to accept it. Like Arkansas, there was general mistrust of paper money during the last part of the war, and commodities and specie were preferred.

Texas

The state of Texas was still another case. Unlike any of the other states, it had direct access to a foreign market--Mexico. It was by use of this advantage that Texas obtained a continual flow of hard money. Mexico, with plenty of coin, was but a river away from Texas. The Confederate government, and many state governments, knew this and used Mexico as a vehicle for obtaining coin. It was only natural that Texas authorities would also be aware of their natural advantage and keenly felt that they were in an enviable position. Even so, it was not the people of Texas that would make use of this route, but rather the government. Towards the end of the conflict though, even the average citizen would become eager for specie and shun paper money.

Texas had been issuing treasury warrants before the Confederacy was conceived, and interest was being paid on any of these that could

not be immediately redeemed. But on February 9, 1861, a law was enacted whereby these warrants were made receivable for money due the state. When the warrants and interest presented exceeded the debt, a new warrant was issued for the residue. In this way a paper currency was created by allowing warrants to be paid to the state. On April 8, 1861, a total of \$1,000,000 in eight percent bonds, redeemable in sixteen years, was also authorized. These were to be deposited at banks in New Orleans and remain under the control of the state treasurer. The same day the governor was empowered to borrow \$90,000 for seventy-two months at a rate of interest not to exceed ten percent.¹⁷

Even with these provisions, however, the Texas state treasury was having problems. By January 1, 1861, most of the specie in the state's control had come from land sales, but by that date treasury warrants could be used for these purchases. By September 24, 1861, the state's treasurer, C. A. Randolph, and comptroller, Clem R. Jones, reported to Governor Edward Clark that they had on hand only \$36,000 in state revenue, barely enough to last one month at normal rates. And on December 6, 1861, it was reported to Governor Francis R. Lubbock that the citizens of the state were so desperate for money that they were selling anything they could to speculators from New Orleans. On November 16, 1861, Governor Lubbock reported to the legislature that the state had no gold or silver left and urged the issuance of non-interest bearing treasury warrants.¹⁸

About this time, the Confederate government entered the monetary picture in Texas. By December, 1861, its agents were being sent to Texas to buy cotton for Treasury notes, sell it in Mexico, and use the proceeds to buy supplies. But at the same time, Judah P. Benjamin, then

Confederate Secretary of War, approached Governor Lubbock with a proposal to exchange five percent United States bonds held by Texas for eight percent Confederate States bonds. Louis T. Wigfall, commanding the Texas Brigade, urged Lubbock to accept the offer, stating that by the end of the war the United States would be totally bankrupt, while the bonds of the Confederate States would be sound. On January 9, 1862, Lubbock urged the legislature to accept the proposal, noting that Confederate bonds could be used to purchase arms, and the legislature agreed.¹⁹

When the Texas legislature met it also debated Lubbock's other suggestions. On January 11, 1862, the February 14, 1860, law providing interest for unpaid treasury warrants was repealed. The next day it was decided that taxes to pay interest and principal on loans must be paid in specie, but all other debts could be paid in Texas warrants or Confederate notes or bond coupons. In December, 1861, the collection of private debts had been suspended by the legislature until January 1, 1864, but taxes continued. On January 11, 1862, the legislature also directed that county treasurers could disperse money received, but the state treasurer could not reissue Texas warrants.²⁰

The people of Texas faced a major problem in being required to pay their taxes in specie. Little was found in general circulation, no matter how much the editor of the Tri-Weekly Telegraph in Houston pleaded for it. As early as December, 1861, there had been complaints about the growing proliferation of shinplasters, which by May 16, 1862, had become a flood. By June, 1863, there were even outcries against excesses of county scrip. Almost as a reaction to this, on January 8, 1862, the legislature had proposed that Texas follow the Confederate

example and open trade with Mexico, for in this way specie could be obtained. This proved to be successful enough so that on March 3, 1863, it was directed that people could pay their taxes in paper money, but this would be converted to specie at the state treasury with the proceeds from cotton sales.²¹

By 1863 Confederate Treasury notes had become the main medium of exchange in Texas and the standard of value. On March 6, 1863, the state treasurer was allowed to pay these for debts. And on March 9, 1863, the state legislature decided that only appropriations for the support of the government and soldiers dependents were payable in non-interest treasury warrants, that other appropriations were to be paid with new issue Confederate notes or treasury warrants redeemable with these bills, and that all unappropriated specie was to remain in the treasury. The only other monetary action the legislature took was in December, 1863, when the collection of private debts was further delayed until twelve months after the war, and \$2,000,000 in six percent cotton bonds was authorized, payable six months after a treaty of peace.²²

The year 1863 was also when Texas began to shift to a policy favoring commodities, while the value of state treasury warrants declined to fifteen cents on the gold dollar and eventually to two cents. As early as July, 1863, the state was distributing cotton and wool cards. In March, 1864, some people even complained about the system used to distribute these, wanting them to go to everyone instead of only soldiers and their families. On August 15, 1863, a meeting of the Trans-Mississippi governors had decided that cotton was the only safe and reliable means for procuring supplies for the army and urged that

Confederate authorities adopt this policy. Although Governor Lubbock had stated on May 16, 1863, that the state treasury did not have enough money and wished to have the authority to transfer Confederate bills from one fund to another, the monetary policies of Texas became more successful. When Acting Comptroller James W. Howard reported to the new governor, Pendleton Murrah, on February 29, 1864, the state treasury contained \$26,128.69 in specie, \$106,073.97 in state warrants, and \$221,054.01 in Confederate paper money. Finally even the people of Texas gave up on paper money and demanded only specie, or bartered for what they needed.²³

Unlike the other Trans-Mississippi states, Texas came to an early reliance on cotton and foreign trade. Also unlike the others, taxes were not suspended, although the collection of private debts was set aside. In these ways the state had a continual supply of paper money and, through the sale of cotton, specie. Thus the state's monetary picture remained fairly sound, but the withdrawal of interest on the warrants and their lack of immediate convertibility to specie or bonds may have contributed to their drastic decline. Very few state warrants were issued after 1863 and one may assume that Confederate paper money was primarily used in the satisfaction of state debts. Eventually, even the people of Texas began to shun paper money, especially that of the central government, and turn to specie or barter.

Missouri

The state of Missouri, however, was totally different from either Texas, the rest of the Trans-Mississippi Confederacy, or the East. It supported the report of the Trans-Mississippi governors on the use of

cotton for the army, but it was different in that before the close of 1861 the Confederate government of Missouri had to flee the state. No other state was disposed of as quickly, although it was next to last to vote itself out of the Union. Governor Claiborne F. Jackson was forced to leave the capital at Jefferson City, but he called a special session of the legislature to meet at Neosho on October 21, 1861. The legislature met, but a quorum was not present until October 28 when it passed an act of secession. Shortly after this the legislature again removed and reconvened at Cassville on October 31, 1861. It was there on November 1 that a law to provide for \$10,000,000 in state bonds, payable in two, five, and seven years, was passed. The bonds were to be issued in denominations of one to five hundred dollars, but only those of five dollars and above carried ten percent interest. William Shields, Thomas H. Murray, and Henry W. Lyday were empowered to sign the bonds, receivable in payment of all money owed to the state.²⁴

Shortly after this law passed, the government had to flee the state, but the military forces remained. The only government in the state was a Union government which also authorized an issue of bonds, under the same terms as the Confederate state authorities, but of a smaller total. By 1863 these came to be the main circulating medium within the state. But this does not mean that Governor Jackson did not issue the Confederate bills, for he removed to New Orleans, Louisiana, where he contracted for the bonds to be printed. These bonds were in the form of treasury notes and could have circulated as such. Soon the money was being produced at a rate of \$1,200 per day, and not long after this, it was delivered. Confederate Brigadier General M. Jeff Thompson stated on January 16, 1862, that he had brought \$100,000 of

the bonds with him and was paying them to the troops of the Missouri State Guard. He noted that he wrote the words "Prior to November 1, 1861," on these in order to show service before that date. He felt if he did not do this, the paper money would be discounted by the merchants of the area.²⁵

These bills were in denominations of one, two, three, five, ten, and twenty dollars, dated January 1, 1862, and made payable three years after date. As specified in the act, only the five, ten, and twenty dollar denominations bore ten percent interest, and they were all signed by one of the three commissioners. This money was primitive in appearance, but later a much better quality "Missouri Defense Bond" was printed by Keatinge and Ball in Columbia, South Carolina. These handsome bills were produced in denominations of one, two, three, four, and four and one-half dollars, as well as three "Requisitions for Missouri Defense Bonds" with the values of twenty, fifty, and one hundred dollars. The last three did not have interest, but were meant to be converted into bonds. This later issue, however, was never signed or used. The reason for this could be found in actions of the Confederate government.²⁶

The first distribution of Missouri notes did not occur until late January, 1862. By this time the contract must have already been made with Keatinge and Ball, but the preparation took longer than those in New Orleans. On December 13, 1861, member George G. Vest of Missouri introduced a bill in the Confederate States Provisional Congress which would provide for a Confederate guarantee of \$1,000,000 of Missouri bonds. By the terms of the bill, a commissioner was to be appointed by President Davis to countersign and thus pledge the faith of the

Confederacy to \$1,000,000 of the \$10,000,000 of Missouri bonds. The bonds were then to be used to pay members of the Missouri State Guard for services rendered. But when Robert W. Barnwell of South Carolina reported this bill back on January 24, 1862, he proposed a totally different bill which was passed on the same day. By the terms of this act, Missouri was loaned \$1,000,000 in Confederate Treasury notes in return for \$1,000,000 of its bonds.²⁷

But Vest was not yet finished. On January 31, 1862, he introduced another bill to supplement the previous sum. On February 6, 1862, it was reported back from committee with the urging that it be tabled, but Vest was able to delay the vote on this action. On February 12 Vest introduced another bill to aid Missouri which was sent to the Committee on Finance. At this time Vest took up his old bill, proposed changing it to read the same as the previously passed act, and called for a vote. The act passed and Davis signed it into law on February 15. In this way Missouri received an additional \$1,000,000. The full amount, \$2,000,000, was carried from Richmond by commissioner William Shields on April 12, 1862.²⁸

With this the history of Missouri's Confederate monetary policy concluded. The state government remained in exile, no further notes or bonds were issued, and the central authorities assumed complete control, including the paying of troops. How Confederate Missouri paper money would have redeemed is a mystery, for the state government was completely bankrupt by 1862. Union authorities in Missouri faced much the same situation. But Confederate Missouri did agree to the use of cotton to purchase military supplies, so it is reasonable that it would have followed much the same course as the rest of the Trans-Mississippi

area had it been able to do so.

In the Trans-Mississippi portion of the Confederacy there was little initial hesitancy to resort to paper money for credit. Two of the four states involved suspended taxes while Texas alone suspended the collection of private debts. All of the states showed a desire for the use of commodities and the specie it could produce. There was also a general reluctance to accept paper money towards the end of the war. Only Texas and Louisiana issued paper money in 1864, but the Louisiana bills were small change only, and the amount issued in Texas was minor. Unlike the East, the Trans-Mississippi Confederate states showed more reliance on money of intrinsic value, and none of them displayed abuses of monetary power such as Georgia and North Carolina.

Both the East and the Trans-Mississippi Confederacy shared some basic monetary characteristics. Whenever there was an abundance of other forms of money, such as specie or bank notes, this was usually used by the state governments in return for bonds. When this source dried up, or was not present in the beginning, states began to issue some form of paper money. Interest on these bills was eventually eliminated because it appeared to be an inexpensive way to obtain money. Those states that had commercial areas before secession found their monetary problems less severe at first, but after a few months of war their conditions deteriorated severely.

As the war continued, increased demands brought greater expenses to the various state governments. Thus state governments continued to print more paper money to meet this demand, and this caused the value of it to decline. By 1862 more and more states had turned to legislative measures to force the acceptance of Confederate and state paper

money. This may have been done by the states because the central government refused to make its paper money legal tender. Eventually there was so much paper money outstanding that the worth of even the best issues began to drop drastically. In the East, the reaction was to use the paper or to barter. But in the Trans-Mississippi Confederacy people turned to commodities and specie. Those issues of paper that were backed by tangibles such as cotton or land tended to hold their value more than those backed only by faith in state governments.

FOOTNOTES

¹Edward Cross to Memminger, October 3, 1861, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Acts passed at the Eighth Session of the General Assembly of the State of Arkansas (Little Rock: Arkansas Banner Office, 1851), p. 75; Acts passed at the Fourteenth Session of the General Assembly of the State of Arkansas (Washington: Statute Law Book Company, 1896), p. 15.

²Ordinances of the State Convention, which convened in Little Rock, May 6, 1861 (Little Rock: Johnson and Yerkes, 1861), pp. 12, 57-58, 69-70, 79-80.

³Acts passed at the Thirteenth or Special Session of the General Assembly of the State of Arkansas (Little Rock: Johnson and Yerkes, 1861), pp. 43-46, 70.

⁴Ibid., pp. 78, 19.

⁵Ibid., pp. 41-42; Acts passed at the Thirteenth or Special Session of the General Assembly of the State of Arkansas (Little Rock: Johnson and Yerkes, 1862), pp. 9, 9-11, 15; George W. Randolph to Henry M. Rector, April 19, 1862, Kie Oldham Collection, Arkansas Department of History, Little Rock, Arkansas.

⁶Acts passed at the Fourteenth Session of the General Assembly of the State of Arkansas, pp. 14, 35, 59, 74; Acts passed at the Called Session of the General Assembly of the State of Arkansas (Washington: Statute Law Book Company, 1896), p. 2.

⁷Criswell, Confederate and Southern States Currency, pp. 110-120.

⁸Robert C. Park to Harris Flanagin, September 12, 1863, Kie Oldham Collection; Acts passed at the Called Session ... Arkansas [1864], p. 6; Edward Cross to Flanagin, March 21, 1864, Kie Oldham Collection.

⁹Criswell, Confederate and Southern States Currency, pp. 110-120; Acts passed at the Called Session ... Arkansas [1864], p. 18; Henry W. Allen to Flanagin, November 7, 1864, H. H. Carter to Flanagin, November 14, 1864, Kie Oldham Collection.

¹⁰Proceedings of the Louisiana State Convention ... together with the Ordinances passed, pp. 265, 287.

¹¹Acts passed by the Fifth Legislature of the State of Louisiana, at its Second Session (Baton Rouge: J. M. Taylor, 1861), p. 190; Citizens

Bank to Thomas O. Moore, July, 1861, Letters Received, Executive Department, State of Louisiana, 1860-1865; John Q. Anderson, ed., Brokenburn: The Journal of Kate Stone, 1861-1868 (Baton Rouge: Louisiana State University Press, 1955), p. 19; Solomon, "Diary," pp. 64, 125.

¹² Ibid., p. 125; Anderson, ed., Brokenburn, p. 125; Solomon, "Diary," pp. 78, 125; Acts passed by the Sixth Legislature of ... Louisiana ... First Session, p. 45.

¹³ Ibid., pp. 84-86; Record of State Bonds and Treasury Notes, Louisiana State Archives; Acts passed by the Sixth Legislature of ... Louisiana ... First Session, pp. 79, 82.

¹⁴ The Daily Picayune, April 29, 1862; The New Orleans Bee, April 29, 1862; Memminger to Wood and Brothers, June 5, 1862, Private and Official Correspondence of General Benjamin F. Butler (5 vols., n. p.: Plimpton Press, 1917), Vol. II, p. 4; James D. Denegre to Moore, [April-May, 1862], Moore to State Treasurer, [May, 1862], Letters Received, Executive Department, State of Louisiana, 1860-1865; James D. Denegre to Benjamin F. Butler, June 11, 1862, Correspondence of Butler, Vol. I, pp. 617-618.

¹⁵ Acts passed by the Twenty-Seventh Legislature of the State of Louisiana, in Extra Session at Openlousas December, 1862, and January, 1863 (Natchitoches, Louisiana: "Times" Office, 1864), pp. 29-30; Acts passed by the Sixth Legislature of the State of Louisiana, at the City of Shreveport on the Fourth of May, 1863 (Shreveport: Caddo Gazette Office, 1863), p. 5; Acts passed by the Seventh Legislature of the State of Louisiana, at its First Session, at the City of Shreveport on the Eighteenth Day of January, 1864 (Shreveport: "News" Office, 1864), pp. 72, 22, 11-12.

¹⁶ Allen to Memminger, February 22, 1864, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Memminger to Allen, March 31, 1864, Emory Clapp to Allen, various dates, John M. Sandidge to Allen, October 24, 1864, John J. Hodge to Allen, May 27, 1865, Letters Received, Executive Department, State of Louisiana, 1860-1865.

¹⁷ Laws of the Eighth Legislature of the State of Texas, Extra Session (Austin: John Marshall and Company, 1861), pp. 19, 39-40, 48.

¹⁸ Ibid., p. 6; C. A. Randolph and Clem R. Jones to Edward Clark, September 24, 1861, Governor Edward Clark Papers, 1859-1861, Texas State Archives, Austin, Texas; Charles Sheane to Francis R. Lubbock, December 6, 1861, Governor Francis R. Lubbock Papers, 1861-1863, Texas State Archives; James M. Day, ed., Senate Journal of the Ninth Legislature of the State of Texas (Austin: Texas State Library, 1963), p. 58.

¹⁹ Judah P. Benjamin to George H. Giddings Rich, December 14, 1861, Louis T. Wigfall to Lubbock, December 9, 1861, Lubbock to the House of Representatives and Senate, January 19, 1862, Governor Lubbock Papers, 1861-1863.

²⁰General Laws of the Ninth Legislature of the State of Texas (Houston: E. H. Cushing, 1862), pp. 32, 37, 5, 38.

²¹Tri-Weekly Telegraph (Houston, Texas), January 13, 1862, December 30, 1861, May 16, 1862; The Tri-Weekly State Gazette, June 11, 1863; Day, ed., Senate Journal of the Ninth Legislature of ... Texas, p. 225; General Laws of the Extra Session of the Ninth Legislature of the State of Texas, p. 8, in H. P. N. Gammel, ed., The Laws of Texas, 1822-1897 (20 vols., Austin: Gammel Book Company, 1898), Vol. V, p. 596.

²²The Tri-Weekly State Gazette, October 30, 1863; General Laws of the Tenth Legislature of the State of Texas, pp. 18-19; General Laws of the Extra Session of the Ninth Legislature, p. 23; General and Special Laws of the Called Session, Tenth Legislature of the State of Texas, pp. 10-11; General Laws of the Tenth Legislature, pp. 5, 9, in Gammel, ed., Laws, pp. 672-673, 611, 768-769, 659, 663.

²³H. J. Richary to James Paul, July 26, 1863, Treasurer's Papers, 1861-1865, Texas State Archives; E. T. Cosley to Pendleton Murrah, March 10, 1864, Governor Pendleton Murrah Papers, 1863-1865; Report of Governor's Conference, August 15, 1863, Lubbock to C. R. Jones, May 6, 1863, Governor Francis R. Lubbock Letter Press Book, Texas State Archives; James W. Howard to Murrah, Governor Murrah Papers, 1863-1865; Robert A. Newell to Sarah A. Newell, late 1864 or early 1865, Robert A. Newell Papers, Archives Division, Louisiana State University Library, Baton Rouge, Louisiana.

²⁴Journal of the Senate, Extra Session of the Rebel [Missouri] Legislature (Jefferson City: Emory S. Foster, 1865-1866), pp. 1-3, 10, 34-35.

²⁵Treasurer's Report, January 1, 1863, Journal of the House of Representatives of the State of Missouri, at the First Called Session of the Twenty-Second General Assembly (Jefferson City: n. p., 1863), appendix, p. 5; M. Jeff Thompson to Sterling Price, January 1, 1862, M. Jeff Thompson to Claiborne F. Jackson, January 16, 1862, United States Department of War, War of the Rebellion: A Compilation of the Official Records of the Union and Confederate Armies (70 vols., 128 books, Washington: Government Printing Office, 1880-1901), Ser. I, Vol. VIII, pp. 727, 735-736.

²⁶Criswell, Confederate and Southern States Currency, pp. 178-185.

²⁷Confederate Congressional Journals, Vol. I, p. 565; An act to pledge the Credit of the Confederate States for certain bonds of the State of Missouri, Confederate States Congress, Legislative Papers, February, 1862-March, 1865; Confederate Congressional Journals, Vol. I, p. 700.

²⁸Ibid., pp. 735, 762, 804, 831; E. C. Elmore to John H. Reagan, April 12, 1862, Confederate Post Office Department, Letters Sent, March 7, 1861-October 12, 1863.

CHAPTER VII

THE CHEROKEE SCRIP OF 1862

The Trans-Mississippi Confederacy did not consist of states alone. The Indian nations of Indian Territory were also its allies. Because their economies were strongly tied to the South, both the Cherokees and the Choctaws issued paper money. The Cherokees were the first of the Indian nations to act when they issued scrip in 1862. On May 2, 1862, the Cherokee Council and National Committee passed an act authorizing the issuance of \$20,000 of notes for the Cherokee Nation in denominations of fifty cents, one dollar, two dollars, and five dollars. The fact that this printing of bills was needed demonstrates the degree to which Cherokee economic conditions had degenerated during the early months of the war. It also shows how confused conditions were at the moment.¹

The Cherokees had successfully adapted to the white man's culture long before the beginning of the war in 1861. They possessed a thriving economy aligned with the agriculture of the South, including the use of black slaves. Henry M. Rector, the governor of Arkansas, emphasized this when he contacted Principal Chief John Ross of the Cherokee Nation on January 19, 1861. At that time Rector urged Ross to side with the Confederacy because "Your people, in their institutions, productions, latitude, and natural sympathies, are allied to the common brotherhood of slave holding states."²

When the South withdrew from the Union, the Cherokee Nation faced one of several alternatives: it could remain with the United States, join with the Confederate States, or follow a course of strict neutrality. It was this last alternative that Ross chose to pursue when on May 17, 1861, he issued a proclamation from Park Hill, in the Cherokee Nation, calling upon the Cherokees to faithfully observe the treaties with the United States and maintain neutrality. "There has been no declaration of war," Ross stated at the time, "and the conflict may yet be averted by compromise or a peaceful separation."³

But Ross's hopes were to be short lived, for hostilities had commenced with the firing on Fort Sumter in the harbor of Charleston, South Carolina, on April 12, 1861. On August 21, a proclamation was issued by a special convention presided over by Joseph Vann, assistant principal chief of the Cherokee Nation. This document affirmed neutrality and slaves as property. The members of the convention also declared that there were to be no differences between full-blooded and mixed-blooded Cherokees--a prediction that proved to be incorrect. The full-blooded Cherokees, called Pins after their habit of wearing crossed pins in their lapels to identify themselves, were to be strongly pro-Union. While the mixed-bloods were to be more solidly for the Confederacy.⁴

The Pins found a spokesman in Ross, while the opposing faction eventually settled on Stand Watie as their leader. Watie was to rise finally to the position of principal chief of the Confederate Cherokees and brigadier general in the Provisional Confederate Army. Gaining a leading position among the Cherokees early in 1861, Watie's followers campaigned for a treaty of alliance with the Confederate States. As a

result, Ross was persuaded to ally with the Confederacy, even though the convention had called for a policy of neutrality as Ross wished. Later Ross told Confederate Brigadier General Benjamin McCulloch on August 24, 1861, that it was his intention to seek a treaty with the new nation and tendered a regiment of troops to fight. On September 1, 1861, McCulloch answered Ross and commented that he had already authorized Watie to organize a force of three hundred men to protect the Cherokee Nation's northern border. This force had been organized even though Ross had declined to allow those Cherokees with Confederate sympathies to organize as Home Guards, pursuant to an earlier request by McCulloch.⁵

Why did Ross change his stance? McCulloch informed the Confederate Secretary of War, Judah P. Benjamin, on September 2, 1861, of one possible reason. He maintained that Watie, who belonged "to the true Southern party," was the one "by whose course and influence Ross was induced to join the South."⁶ Another version, however, was later given by officials of the United States. On August 13, 1862, Brigadier General James G. Blunt, commander of the Department of Kansas, told President Abraham Lincoln that Ross had delayed signing a treaty with the Confederacy in expectation that troops of the United States would arrive and ensure his group protection. "This hope failing them," Blunt explained "they were compelled to the policy they adopted as a matter of necessity and self preservation."⁷

On October 7, 1861, a treaty was signed between the Cherokee Nation and the Confederate States, and two weeks later a declaration was issued by the National Committee and Council of the Cherokee Nation giving the reasons for this agreement. Stating that Cherokee origins were in the South and that their "institutions are similar to those of

the Southern States," the Cherokee leaders believed that their interests were identical with those of the Confederacy. Further, they reiterated that they were hesitant to break their ties and tried neutrality, but that the Confederacy was strong and established itself in a defensive struggle without denial of personal liberties, whereas the United States was "behaving in an unconstitutional and bestial manner." They complained that "Foreign mercenaries and the scum of cities and the inmates of prison were enlisted" and sent south to fight. The final reason given was by far the most telling and prophetic. The Cherokee leaders stated that they feared that the United States would force land allotment on the Cherokees and deny them their slaves.⁸

Almost as soon as the treaty was signed, factionalism divided the Cherokee Nation. The treaty was ratified by the Confederate Provisional Congress, with amendments to which the Cherokee Nation later gave its assent, on December 24, 1861. But on December 11, 1861, Confederate Colonel Douglas H. Cooper, commander of the Indian Department, noted that disaffection was widespread among the Cherokees and that there was a serious need for more white Confederate troops. Soon a secret society of Union Cherokee Indians headed by a Cherokee named One Salmon was formed.⁹

By this time economic conditions within the Cherokee Nation were also declining. In October, 1861, prices were rising, but they were still not as high as in New Orleans, Louisiana. Different types of money were circulating within the nation: Confederate notes and Louisiana bank bills were trusted, but not as much as gold and silver. But bank notes of the adjacent state of Missouri were mistrusted, and thus their value declined daily. Even so, one Cherokee merchant,

Andrew R. Nave, had one Missouri bill on October 23, 1861, but Confederate paper was also coming into circulation, and gold continued a minor circulation. That same day Nave was able to dispatch two hundred dollars in gold, as well as four hundred dollars in Confederate bills, in the course of his business. The little specie, however, soon began to be withdrawn. Shinplasters proliferated, and by April, 1862, they were being sent into the Cherokee Nation from Arkansas, also a bordering state. These may have been drawn upon Arkansas merchants or were only printed elsewhere for local merchants, but in any case, they were making an appearance.¹⁰

Such was the monetary situation in early 1862. In order to comply with the terms of the Cherokee Treaty, a survey was made of bonds issued by the states then within the Confederacy but held in trust by the United States government for the Cherokees. This report was filed with Secretary of War Benjamin on January 17, 1862. In it the hope was voiced that the states would pay the principal and interest of the bonds to the Confederate States government, which would then collect these sums as trustee and pay the interest to the Cherokees. Apparently this survey was taken in order to determine how much would be paid annually to the Cherokees.¹¹

By the terms of the treaty, the Cherokees were entitled to a one-time payment of \$77,644.36 in fulfillment of the 1846 treaty with the United States, which the Confederacy had assumed. This amount was to be paid "upon complete ratification of this treaty."¹² The money was voted by Congress on December 24, 1861, with \$265,927.25 of the total sum owed to all treaty Indians being payable in gold, an amount rapidly collected. The coin had to be acquired and then delivered to Confederate

Brigadier General Albert Pike. Of this amount, \$95,000 was purchased in Charleston, South Carolina, by use of a certificate payable in coin after the blockade was lifted, with interest at eight percent. On January 28, 1862, Pike was at Little Rock, Arkansas, and expected to be at Fort Smith, Arkansas, by at least February 7. He carried with him \$265,927.50 in specie, all in gold except \$65,000 in silver. In addition, the Cherokees were also to receive \$172,300 in paper money which Pike also had. But for some reason Pike did not deliver the money immediately. Perhaps this was because the Cherokees still had to agree to the treaty's amendments before it was fully ratified. On March 26, 1862, S. Rindley was inquiring about the money to pay the Cherokee troops. It was not until March 31, 1862, that the Confederate agent for the Cherokees, John Crawford, informed Watie that he had received the money from Pike.¹³

Even though the Cherokees by the terms of the treaty were not required to pay for the costs of the war, they were still to feel a financial pinch. While the gold was kept in the Cherokee Treasury, the paper money was used, but it did nothing to alleviate the small change plight, for no bill below the denomination of five dollars was printed in 1861 and the 1862 issues were not even authorized until April 17, 1862. Thus the shinplaster nuisance remained.¹⁴

Action was therefore required to correct this situation. On May 2, 1862, the Cherokee National Committee and Council passed an act requiring the Cherokee treasurer to hold \$20,000 in Confederate Treasury notes and issue in lieu of these bills of the Cherokee Nation in denominations of fifty cents, one, two, and five dollars, which were to be put into circulation. These bills could be redeemed at the Cherokee Treasury

with Confederate paper money, when "presented to the amount of Twenty dollars, fifty dollars, One hundred dollars, or above the sum in like denominations."¹⁵ With the passage of this act, the issuance of individual bills was made illegal and punishable by a fine of five to two hundred dollars for each offense. Although it was not specifically authorized by the law, a twenty-five cent note was also issued. The act did seem to give the Cherokee treasurer authority to issue other values, if he saw fit, and this may have been what he did. In any case, the number of twenty-five cent bills produced must have been small.¹⁶

The notes themselves were issued in June, 1862. The bills were probably the only governmental issues authorized in what is today the United States that made use of the dollar sign. The fact that they were probably issued only in June, 1862, was more likely a result of military events and the political situation, coupled with the arrival of Confederate notes, than any real change in the monetary outlook.

In June, 1862, a Union military expedition entered the Cherokee Nation. As the Confederate Cherokees advanced to meet the Federals, they were defeated. As a result, Colonel John Drew's regiment deserted to the forces of the United States, practically to the last man, leaving only a small body under the command of Captain Pickens Benji to fight with Watie's regiment. The Pins now rose and the Confederates were driven back. On July 15 an expedition led by Captain Harris S. Grenno entered Park Hill to take the "surrender of the Cherokees there." He found that Ross had just received orders from the Confederate Adjutant and Inspector General, Samuel Cooper, to issue a call for all men between eighteen and thirty-five to enlist in the Confederate army. Grenno stated, however, that his arrival "gives Ross an excuse

for not complying with the demand."¹⁷ They also found that the Cherokee Treasury still had \$45,000 in gold and some of the Confederate notes that had been paid to them previously by Confederate authorities. Ross was made a "prisoner" and momentarily paroled to his house.¹⁸

The Confederates were not deceived by Ross's stratagem for long. Confederate Major General Thomas C. Hindman maintained that Ross was "pretendedly taken prisoner, but, as afterwards appeared, really went over to the enemy with the archives and money of the nation."¹⁹ The Confederates soon began their campaign to reconquer the area, and the Federals withdrew. Ross took the Cherokee Treasury with him when he went with the Federals; it was later claimed to have amounted to \$65,000 in gold and \$150,000 in paper, but this estimate may have been high. Other money also left with the fleeing Pins, for one merchant reported that he took \$23.50 in gold with him. On August 8, 1862, Colonel Douglas H. Cooper advised President Davis that within a few days he hoped to retake Tahlequah, the capital, and Park Hill and put the Confederate Cherokees into power. This was done and in late August Ross was removed from office by the Confederate Cherokees and Watie elected the new principal chief of the Cherokee Nation.²⁰

Even with the formation of the new Confederate Cherokee government, the financial and political picture did not improve. The armed forces of the United States throughout 1862 kept the Confederate Cherokee National Council from meeting on various occasions and money remained extremely scarce. It is possible that the Cherokee Nation received more money from the Confederates soon after this, because when Albert Pike resigned his army commission in 1863, he deposited \$49,980.55 "in Treasury Notes" and \$19,263.10 "in gold" with Edward Cross, the Confederate

States depositor at Little Rock, Arkansas. This was on March 13, 1863, and some funds could have been delivered to the Cherokees before this time. Whatever the case, the Cherokees could have taken pride in the fact that they led the way in issuing government change notes, for only North Carolina circulated them before the Cherokees.²¹

On January 22, 1863, Elias Cornelius Boudinot, the Cherokee delegate to the Confederate House of Representatives and nephew of Stand Watie, desired the authority to receive from the Confederate government the money due the Cherokees. He felt that a full treasury would bring new life to the Cherokee Nation, but in this effort he was to have a long, hard fight. On June 27, 1863, he cautioned his uncle about a law which had just been passed by the Cherokees concerning the use of their treasury funds for their refugees. He felt that the commissioners should use warrants or bonds rather than treasury money, or failing that, he urged that army rations and transportation be drawn on until other arrangements could be made with the Confederate government. Apparently, the Cherokees were about to use what little money they had remaining in their treasury. On November 4, 1863, Boudinot borrowed \$10,000 on his own responsibility, for the relief of the Cherokee refugees. Finally, on December 18, 1863, Boudinot introduced a bill in the Confederate Congress to appropriate \$100,000 for the refugees. By the terms of the act, this was only a loan, for it was to be repaid in gold after the war. Clearly, the Cherokees desperately needed money. Otherwise they would not have made this loan arrangement, knowing that payment in gold would be required following the war.²²

Unfortunately, once the money was voted, there was considerable delay in getting it to the Cherokee Nation. On January 24, 1864, Boudinot

advised using it wisely because it would have to be repaid after the war. The money left Richmond under the control of Confederate Indian Agent S. S. Scott by January 27, 1864, and Boudinot again advised using it sparingly, but this time it was because a new issue of Confederate paper money was being debated in Congress and he felt the Cherokees should demand the best currency available. But by April 20, 1864, Scott was back in Richmond, having traveled as far as Mississippi before he returned. By June 20, he was back at Meridian, Mississippi, and this time the entire \$100,000 was in new issue. On July 25, 1864, he left Arkansas, heading for the Cherokee Nation. The money was probably delivered in early August, 1864. It had taken over half a year to hand over the money to the Cherokees. It is possible that Scott turned back in order to obtain the new issue, but this is not certain.²³

Minor funds were voted by Congress for the North Carolina Cherokees on May 1, 1864, and January 16, 1865. This was the annual interest on \$53.33 due to each Cherokee there. On May 6, 1864, Boudinot introduced a bill for the relief of the Cherokee Nation into the House of Representatives, but nothing apparently came of this. Likely there was some Confederate money circulating in the Cherokee Nation; when the tax of thirty-three and one-third percent went into effect on the old issues of Confederate money, Boudinot told Watie that he would try to save the Cherokees from this tax, but he doubted if he would succeed. He probably failed.²⁴

Like the rest of the Trans-Mississippi area, the Cherokees eventually placed their reliance upon commodities and cotton. In October, 1864, Boudinot advised that with \$10,000 or \$15,000 he could get cotton cards and medicine for the refugees; there seemed to be a special need

for cotton cards. He also stated that he would try to get another \$50,000 from Congress. On January 27, 1865, the Cherokees were voted cotton, at the market value in specie, in lieu of their annual annuity which could not be collected. On May 11, 1865, Boudinot was in Shreveport, Louisiana, stating that he was to obtain \$3,000 in cotton, specie value, which he would sell to obtain coin. Four days later, on May 15, Brigadier General Douglas H. Cooper, commander of the District of Indian Territory and superintendent of Indian Affairs, issued the necessary orders to accomplish this transfer of cotton. Since Confederate collapse west of the Mississippi River came shortly after this date, it is not certain if the Cherokees received their cotton. If the transfer had not actually taken place, it is also possible that the Cherokees may have sent people to seize the cotton from government stores before it was destroyed or seized by the United States.²⁵

Through these problems and hard times, the Confederate Cherokees remained true to their cause. On June 24, 1864, the Cherokee troops un-animously declared their intention to reenlist for the duration of the war. They were still fighting when surrender overtook them on June 23, 1865.²⁶

Thus the Cherokee Nation was a vital part of the Trans-Mississippi Confederacy, and its monetary policy had a profound effect on its people. The Cherokees resisted the temptation to wildly print money, even though they were in great need of it, and instead were even careful to set aside enough Confederate funds to totally redeem the change bills they issued. As long as the Cherokees kept their faith in the Confederate bills that backed their change paper, it would not decline in value. But since Confederate notes depreciated, Cherokee bills likely did also.

When Ross left with the Cherokee Treasury it placed a severe monetary handicap on those who remained. Final Cherokee reliance on cotton cards and cotton and the specie that could be obtained from the sale of cotton demonstrate that the Cherokee Nation largely followed the fiscal pattern of the Trans-Mississippi Confederacy.

The fact that the Cherokee economy was highly organized and operated at the same level as the surrounding Confederate states may be seen in a number of ways. The war produced most of the same effects in the Cherokee Nation as it did in the Confederate States: specie disappeared, prices rose, and shinplasters proliferated. The fact that the Cherokees were able to support the same degree of specialization of labor with a money supply that could integrate so well with the Confederacy's monetary system supports the contention concerning their highly organized economy. A tightly controlled government system, with an elected official at the head, also point to this conclusion. When their money was withdrawn from their business community, the Cherokees faced the same panic and search for substitutes common to any government in the same situation.

FOOTNOTES

¹An act authorizing the issuing of Bills for the purpose of change and prohibiting the issuing and circulating of shin plasters, John Ross Papers, Thomas Gilcrease Institute of American History and Art, Tulsa, Oklahoma, p. 1.

²Official Records, Army, Ser. I, Vol. I, p. 683.

³Ibid., Ser. I, Vol. XIII, p. 490.

⁴Ibid., pp. 499-500.

⁵Ibid., Ser. I, Vol. III, pp. 690-691; Benjamin McCulloch to Judah P. Benjamin, September 2, 1861, McCulloch to John Ross, June 12, 1861, Ross to McCulloch, June 17, 1861, ibid., pp. 692, 591-592, 597.

⁶Ibid.

⁷Ibid., Ser. I, Vol. XIII, p. 566.

⁸Ibid., Ser. IV, Vol. I, p. 669, Ser. I, Vol. XIII, pp. 503-505.

⁹Confederate Congressional Journals, Vol. I, p. 611; Official Records, Army, Ser. I, Vol. VIII, p. 709; William Weer to Thomas Moonlight, June 13, 1862, ibid., Ser. I, Vol. XIII, p. 431.

¹⁰Sam C. Hanby to Andrew R. Nave, October 14, 1861, Nave Papers; George E. White to Nave, October 23, 1861, Ward and Southmayd to Nave, October 23, 1861, Nave Letters, Cherokee Room, Northeastern Oklahoma State University Library; George E. White to Nave, Nave Papers.

¹¹S. S. Scott, Letter of the Acting Commander of Indian Affairs, with Statement, &c., In Regards to Certain Indian Trust Funds (Richmond: Ritchie and Dunnacrent Printers, 1862), p. 9.

¹²Official Records, Army, Ser. IV, Vol. I, pp. 682, 685.

¹³Mathews, ed., Statutes at Large, p. 237; Memminger to E. C. Elmore, January 1, 1862, Confederate Secretary of the Treasury, Letters Sent, April 3, 1861-August 2, 1864; Albert Pike to Elias Rector, January 28, 1862, Records of the Wichita Agency, 1861-1862, Record Group 75, National Archives; S. Rindley to Stand Watie, March 26, 1862, John Crawford to Watie, March 31, 1862, Cherokee Nation Papers, Western History Collection, University of Oklahoma Library, Norman, Oklahoma.

¹⁴Official Records, Army, Ser. IV, Vol. I, p. 679; Criswell, Confederate and Southern States Currency, pp. 1-34.

¹⁵An act authorizing the issuing of Bills for the purpose of change and prohibiting the issuing and circulating of shin plasters, p. 1, John Ross Papers.

¹⁶Ibid.; Maurice M. Burgett, "Obsolete Paper Currency of Indian Territory and Oklahoma," Paper Money, Vol. VI, No. 1 (April, 1967), p. 3.

¹⁷Thomas C. Hindman to Samuel Cooper, June 19, 1863, Harris S. Grenno to Weer, July 15, 1862, July 17, 1862, Official Records, Army, Ser. I, Vol. XIII, pp. 40, 473, 161-162.

¹⁸R. H. Carruth and W. H. Martin to William G. Coffin, July 19, 1862, United States House of Representatives, 37th Congress, 3rd Session, Executive Documents No. 1, "Message of the President of the United States" (Washington: Government Printing Office, 1862), p. 302; Grenno to Weer, July 17, 1862, Official Records, Army, Ser. I, Vol. XIII, p. 162.

¹⁹Thomas C. Hindman to Cooper, June 19, 1863, ibid., p. 40.

²⁰Election Pamphlet against William P. Ross, no date, John Ross Papers; Andrew R. Nave Day Book, 1862, October 6, 1862, Nave Papers; Douglas H. Cooper to Jefferson Davis, August 8, 1862, Official Records, Army, Ser. I, Vol. LIII, pp. 820-821; Hindman to Cooper, June 19, 1863, ibid., Ser. I, Vol. XIII, p. 43; William Hudson to J. Y. Dashiell, September 15, 1862, ibid., Ser. IV, Vol. I, p. 828.

²¹Edward Cross to Memminger, March 13, 1863, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Criswell, Confederate and Southern States Currency, pp. 105-286.

²²Elias Cornelius Boudinot to Stand Watie, January 22, 1863, June 27, 1863, November 4, 1863, Cherokee Papers; Confederate Congressional Journals, Vol. VI, pp. 543, 683; An act appropriating one hundred thousand dollars for the use and benefit of the Cherokee Nation, Official Records, Army, Ser. IV, Vol. III, p. 40.

²³Boudinot to Watie, January 24, 1864, January 27, 1864, Cherokee Papers; Boudinot to Watie, April 24, 1864, July 13, 1864, July 25, 1864, Watie Papers, Cherokee Room, Northeastern Oklahoma State University Library.

²⁴Confederate Congressional Journals, Vol. VI, p. 483; ibid., Vol. VII, pp. 489-490, 19; Boudinot to Watie, October 3, 1864, Cherokee Papers.

²⁵Boudinot to Watie, October 1, 1864, ibid.; Ramsdall, ed., Laws, pp. 24-26; Boudinot to Watie, May 11, 1865, Cherokee Papers; D. H.

Cooper to E. Kirby Smith, May 15, 1865, Confederate District of Indian Territory, Letters Sent, May 10-27, 1865, Record Group 109, National Archives.

²⁶H. L. Martin to Samuel B. Maxey, June 27, 1864, Official Records, Army, Ser. I, Vol. XLI, Pt. 2, p. 1013.

CHAPTER VIII

THE CHOCTAW WARRANTS OF 1863

If the Cherokees were well advanced economically, they were not alone among the Indian nations. All of the Five Civilized Nations--the Cherokees, Choctaws, Chickasaws, Creeks, and Seminoles--shared this degree of development. The Choctaws, however, were the only other Indian nation to issue paper money within the Confederate sphere of influence. While the Cherokee Nation issued treasury notes backed by Confederate paper money, the Choctaw Nation released treasury warrants redeemable with any funds available in the Choctaw treasury. In this way, the Choctaw Nation was similar to the states of Texas and Arkansas, and like them it witnessed the rapid decline in the purchasing power of unsecured paper money. When these pieces of paper were subsequently reissued, this defect was corrected. The Choctaw Nation, like the Cherokee Nation, received most of its money from the central government, first from Federal and later from Confederate authorities. The Five Civilized Nations were to be paid large sums in settlement of treaties made with the United States, but Washington, D. C., officials were extremely reluctant to settle. Nevertheless, the Choctaws kept trying, even in early 1861, and were partially successful in obtaining some of the money due them.

On March 2, 1861, the Choctaws were awarded a \$500,000 advance on an award granted in a treaty made with the United States on June 22,

1855. On March 8, 1861, the Choctaw commissioners were in Washington, D. C., to collect this and made application for the sum due in money and bonds. As late as April 8, they were still waiting, and asked that they be paid in United States stocks, which had a higher resale value than bonds. But this request was ignored and \$250,000 in bonds, which were kept by the Choctaws until after the war, was finally issued to them. By June 12, 1861, the Choctaw treasury had received a United States Treasury Department draft for \$112,000, in addition to the \$250,000 in bonds, and \$3,487.15 in specie. When this was added to the \$134,512.85 previously given the Choctaws for the purchase of corn, the total came to \$500,000.¹

But at the time this was transpiring in Washington, the Choctaw Nation was being courted by the Confederate States in the person of its delegate, Albert Pike. Pike was visiting all the Indians, tribes and nations, and trying to gain a treaty with each--a task at which he was extremely successful. Because the Choctaw negotiators were absent at the time, arrangements with them were delayed slightly; they were known, however, to be entirely loyal to the principles of the infant Confederacy. The Choctaw Nation signed a treaty with the Confederate States at North Fork Town on July 12, 1861. By terms of this agreement, the Choctaw Nation was not to assume any of the costs of the war; even though the Choctaws had recently received a shipment of money from the United States government, they adhered strictly to the letter of the treaty. On June 10, 1861, the Choctaws had passed a law which set aside \$30,000 for the purchase of munitions to arm the Indian troops, and on June 14, 1861, Principal Chief George Hudson had called upon all able-bodied men to enroll in the militia. But on November 5, 1861, over

a month before the treaty was ratified by the Confederate Provisional Congress, the Choctaw Nation repealed their June 10, 1861, law and placed full responsibility for arming its troops in Confederate hands.²

An appropriations bill in the Confederate Provisional Congress to pay the treaty Indians the money owed to them under terms of the several Confederate States treaties was voted on December 24, 1861. A total of \$265,927.55 of this was to be paid in coin and was quickly procured through purchase from banks. By January 28, 1862, Brigadier General Albert Pike, the same man who had obtained the original treaties, was at Little Rock, Arkansas, and expected at Fort Smith, Arkansas, by February 7 at the latest. Pike carried with him over \$681,000 in paper money and specie, and had requested that another \$3,000 be sent ahead of him to Major Elias Rector, the Confederate Superintendent of Indian Affairs for the area. This last amount was to meet the expenses of recent Indian councils. Included in the money that Pike brought with him was a \$50,000 advance payment to the Choctaws. Most of this sum must have been in coin because Pike noted that "The Treasurer of the Choctaws means to sell the coin his people get, buy Confederate paper, and put the difference in his pocket." Pike felt that the treasurer must be stopped from doing this and urged that the principal chief be advised of the amount paid in coin and the treasurer paid this "in the presence of three Commissioners appointed by himself."³

Even though Pike was at Fort Smith in early February, the money did not arrive in the Choctaw Nation until mid-April, 1862. The delay occurred because it is possible that Pike had to await the final ratification of the treaty by the Choctaw Nation and then the appointment of people to receive the funds and transport them to the capital at

Doaksville. It was in mid-April that F. E. Williams was paid to transfer the money to Scullyville, and L. L. Libby moved it from there to the capital. In all, a total of \$322 was paid the men who transported the funds. But according to the treasurer's report, the total delivered by Williams and paid by Pike was \$35,520. It is possible that this was the sum paid in coin and that the rest was delivered at some other time in paper; the record indicates that there was \$27,000 in the hands of E. Loman and T. Folsom, a relative of Choctaw Treasurer H. N. Folsom, as well as \$20,260 loaned from the Choctaw treaty delegation. Apparently there was enough money from the Confederates in the Choctaw Treasury to purchase munitions by May 6, 1862, because on that day Sampson Folsom received \$50,000 to purchase arms "as per treaty of 1861 and in accordance with an act of the Council in October A. D. 1861."⁴ The Choctaw act stated that the Confederacy must purchase war materials for the Choctaw Nation.

Due to excessive drought in 1862, crops for that year were unusually short. But a large supply of grain was still on hand from the year before, so agent S. S. Scott felt that there was little likelihood for the Choctaws to suffer. Some refugee Cherokees had settled in the Choctaw Nation by that time, and if supplies had to be shared, there must have been some hardship encountered. Also, the fact that many of the Choctaw men were in military service would have caused some families to find life difficult. In order to provide for suffering Choctaws, a bill was proposed in the Choctaw Council on October 18, 1862, to aid indigent families. This legislation passed the Choctaw Senate on October 20, and the next day the House of Representatives amended it to include the blind and sent it back to the Senate where it

passed the same day. Principal Chief Samuel Garland signed it into law on October 21, 1862, the same day that it passed from the Council.⁵

By the terms of this act, \$25,000 was to be issued in the form of Choctaw National Treasury warrants, payable in one, two, and three years, in equal installments, and these bills were to be receivable for all money due the Choctaw Nation. The warrants were to be given to those who were actually destitute and suffering; able-bodied male citizens were specifically excluded. Those included were only the destitute and "more particularly the Females, Children, Sick, Crippled, Blind and Wounded;" monthly supplies of food were also permitted for issue to these same groups. The sheriffs were required to make a list of the people receiving this aid and the list was subject to review by the Choctaw Council. In essence this was a welfare act, designed to benefit those in severe need. This law also provided for the only issuance of notes by the Choctaw Nation and gave them status as currency.⁶

The warrants were issued without the names of persons on them, unlike the previous warrants, and were in denominations of fifty cents, one, two and one-half, and five dollars. The fact that no name appeared on them made them readily transferable and served to give them status as a circulating medium. Although the printing on the notes was crude and suggests that they were designed and printed quickly, likely the majority were issued in early 1863 rather than in late 1862; one surviving warrant bears the handwritten date of March 1, 1863. On October 22, 1862, Confederate Indian Agent S. S. Scott had delivered \$35,520 in Confederate paper money to the Choctaw Nation. The first yearly installment of \$8,033.30 $\frac{1}{3}$ was probably set aside from this shipment. Physical delivery of funds must have been halted after this because on

October 20, 1863, when another \$35,520 was turned over to the treasury, it cost the Choctaw Nation twenty dollars to travel to Paris, Texas, and return with the sum, unlike the year before when Scott brought it to them.⁷

On August 6, 1862, Robert M. Jones had been elected to the Confederate Congress as the delegate from the Choctaw and Chickasaw Nations. His total vote of 374 barely beat his closest opponent, Allan Wright, who had 334, but finished much ahead of Peter P. Pitchlynn's total of 137. Undaunted by these defeats, Pitchlynn went on to be elected principal chief before the end of the war and Wright became treasurer. Wright went on to even greater political leadership heights after the war. Jones, however, seems to have done little during his term in Congress and the Cherokee delegate, Elias C. Boudinot, overshadowed him in Indian affairs legislation.⁸

With the Choctaw Nation regularly receiving supplies of Confederate paper money, it soon became its circulating medium and was probably used to redeem the warrants. But the issue of new currency in 1864 by the Confederate government and the decline in purchasing value of all Confederate paper money created furor within the Choctaw Nation and also reflected in the other Indian nations. In an effort to calm this condition, Major General Samuel B. Maxey, ex officio Superintendent of Indian Affairs in Indian Territory, asked the Confederate Treasury agent at Houston, Texas, Peter W. Gray, for advise on July 31, 1864. Maxey stated that according to the terms of the several treaties concluded with the Indians, the Indians were to incur none of the actual costs of the war, and it was felt that the thirty-three and one-third percent tax on the old Confederate issues was a way of passing along some of

the costs to them. But these efforts, like those of Cherokee delegate Boudinot, likely failed, and in January, 1865, Principal Chief Peter P. Pitchlynn decried this tax as well as the general depreciation of Confederate currency. From his remarks, the Choctaws were being paid by Confederate authorities as though the new issue paper money was at par with specie. The annuities were to be paid in coin, but were paid in paper, with one dollar in paper money being given for what would have been one dollar in coin.⁹

In January, 1865, Principal Chief Pitchlynn also detailed his monetary thinking to the Choctaw Council. He stated that "few articles can be purchased with Confederate paper and then only at ruinous rates of discount." He continued that most of the items needed by the Choctaw people were of foreign manufacture and required "specie, or those staple commodities which are readily convertible into specie." Pitchlynn wondered if the Choctaws should continue to suffer by receiving Confederate notes at par with specie, particularly since speculators had depreciated the currency with their actions, and even the Confederate government had fixed the conversion rate at twenty dollars in paper to one dollar in gold. Also no debtor in any state, Pitchlynn continued, who had a sum of money due to him which was payable in coin "will receive payment in Confederate paper at any discount." Pitchlynn left it to the Choctaw Council as to what action to take, but he gave strong hints as to what he favored.¹⁰

Shortly before this, the Choctaw Nation began to steer a course away from paper money and towards commodities, like the rest of the Confederate Trans-Mississippi area. On October 11, 1864, the sum of \$35,000 was appropriated from funds in the Choctaw treasury for

purchasing cotton and wool cards. These were planned for distribution to indigent wives of Choctaw soldiers. The law further specified that people to purchase the cotton and wool cards were to be elected by the Choctaw Council; those chosen were Dr. F. J. Bonds and J. M. Nail. On December 1, 1864, they left on their appointed mission, and they carried \$11,500 that had been issued them by Choctaw Treasurer Allen Wright and a draft on the Treasurer of the Confederate States for the remaining \$23,500. This draft was to be an advance on the interest money due the Choctaw Nation from funds invested in Virginia bonds. In order to cash this draft, the men had to journey to Jefferson, Texas, to speak to Samuel F. Mosley, the Confederate Treasury agent in that city. They also carried with them a letter of introduction from Major General Samuel B. Maxey, commander of the District of Indian Territory and ex officio Superintendent of Indian Affairs. Maxey begged Mosley to do everything within his power to make certain that the draft was cashed so that the men could complete their mission. Likely the money was turned over to the two commissioners.¹¹

Monetary affairs in the Choctaw Nation were beginning to deteriorate even more rapidly by January, 1865. On January 19, a resolution was passed by the Choctaw Council concerning Confederate paper money. Evidently the council was reacting to comments and suggestions made by Principal Chief Pitchlynn in his January, 1865, address. The action that the council took was not as strong as it could have been. The resolution stated that the Confederate currency which the Choctaw Nation was accepting at par with specie was being heavily discounted, causing severe injury to its "financial condition and involving the Nation in heavy losses yearly."¹² The council's only action was to

authorize the opening of correspondence with the Confederate Commissioner of Indian Affairs in Richmond, Virginia, in hopes of somehow arriving at a solution remedying the monetary deficiencies that had occurred.¹³

Meantime, cotton was beginning to play an even greater role in Choctaw monetary life. Also on January 19, 1865, funds were voted to allow the transportation of cotton held by refugee Indians in order to sell it and relieve their condition. This trade must have quickly grown in volume because on April 10, 1865, Brigadier General Douglas H. Cooper, Superintendent of Indian Affairs for Indian Territory, directed a circular letter to the Choctaw officials and people. In this he stated that only such quantities of cotton might be exported to Mexico as were absolutely necessary to obtain needed supplies. He further declared that all bales of cotton so exported must be the property of the Choctaw Nation collectively, and not of any one individual. Thus many of the Choctaw citizens had been shipping as much cotton as they could to Mexico.¹⁴

This was not the end of cotton trade by the Choctaws. On January 27, 1865, the Confederate Congress, through the actions of the Cherokee delegate Boudinot, authorized the Cherokee Nation to receive cotton at its specie value in lieu of annual annuities due them under terms of the treaty. This law was quickly extended to all other Indian nations and Boudinot carried copies of both laws back to Indian Territory from Richmond. By May 15, 1865, Superintendent of Indian Affairs Cooper was informed of this and he gave the necessary orders to carry it into effect. By May 27, 1865, Cooper also empowered P. W. Gray, the Confederate Treasury agent at Marshall, Texas, to receive and issue receipts

for cotton to be delivered to the Creek and Seminole nations in lieu of their annuities. Likely similar orders were also given for the other nations, and the cotton should have been delivered to the Indians before the collapse came later that summer.¹⁵

With the fall of the Confederacy, the Choctaw Nation found itself in extreme financial difficulties. Most of the money it held was Confederate paper which was then totally useless, and crops could not be harvested or sold fast enough to satisfy the demands of the people for a medium of exchange. In order to deal with this problem and pay the debts of the nation, the Choctaw Council decided to temporarily finance itself by resorting to credit or fiat currency. On October 17, 1865, a law was passed authorizing Choctaw Treasurer Allen Wright to issue certificates of deposit, drawing five percent interest, for national war-rants returned to him. A sizable number was outstanding and unpaid, likely issued after the end of the war. At the same time Wright was also authorized to reissue, again with five percent interest, the treasury warrants that had been issued and then redeemed under the terms of the October 21, 1862, law. In this way the Choctaw issuance of 1863 performed double duty; first, it gave funds to the destitute during the war and served as a minor currency, and second, it served as a national currency after the war. In both roles it did its job well.¹⁶

Thus it was that the Choctaw Nation, like the Cherokee Nation before it, pursued a monetary policy similar to the rest of the Confederate Trans-Mississippi area. Heavy reliance was initially placed on paper money, a small regional issuance was produced, but eventually paper money was shunned and more reliance placed on commodities and the specie produced by its sale in Mexico. The Choctaw Nation performed one

additional service with its money, for it created a welfare system that did not break down. Food, cotton and wool cards, and other necessities were distributed to the destitute in the Choctaw Nation, and \$25,000 in money was also given to them. Because so many of the warrants were returned to the Choctaw Treasury, the system worked in exactly the way it was designed to function. It is to the credit of the Choctaw Nation that it resisted the temptation to print quantities of paper money and give it to the needy. The little money distributed to the destitute appeared to be the quickest way to relieve their wants. The amount of money provided the needy was small and highly controlled, and the primary reliance was on food and cotton and wool cards. The cards were valuable because they could be used to prepare raw materials for conversion into cloth. In this way they provided home industry, and for those industrious enough, a source of income, for surplus cloth had a ready market.

The Choctaw Nation, like the Cherokee Nation, received most of its funds from the Confederate government. But sales of commodities and other sources also produced minor income. In this way the Choctaws and Cherokees did not face many of the monetary problems of the states in the Confederacy. In the states most revenue came from taxes, and when these were halted, their problems were compounded. Although the Choctaws and Cherokees had to accept Confederate paper money as though it were specie, they still had a fairly steady income of this. When the value of paper money declined, however, other means of financing had to be located. But Choctaw and Cherokee issuances of paper money were very small, its value remained relatively stable, it was easily retired, and the pitfall of overprinting was never practiced as in most states of the Confederacy.

FOOTNOTES

¹Statement concerning sale of U. S. bonds, no date but after 1865, Peter P. Pitchlynn to T. Corwekly, March 8, 1861, Choctaw Delegates to Salmon P. Chase, April 6, 1861, Treasurer's Receipt, H. N. Folsom, June 12, 1861, Report of the Committee on the Mission of the Choctaw Delegation, October 23, 1861, Peter P. Pitchlynn Papers, Thomas Gilcrease Institute of American History and Art.

²James E. Harrison and others to Edward Clark, April 23, 1861, A Treaty ... between the Confederate States ... and the Choctaw Nation [July 12, 1861], Official Records, Army, Ser. IV, Vol. I, pp. 323, 445-466; Proclamation, Principal Chief George Hudson, June 14, 1861, ibid., Ser. I, Vol. III, pp. 591-592; Resolutions of the Choctaw Nation, November 5, 1861, United States Bureau of Indian Affairs, Miscellaneous Documents, 1864-1865, Record Group 109, National Archives.

³Mathews, ed., Statutes at Large, p. 237; Pike to Rector, January 28, 1862, Records of the Wichita Agency, 1861-1862.

⁴Choctaw National Auditor's Warrants paid by H. N. Folsom, no date, Treasurer's Report from 1861 to 1862, Sampson Folsom, Receipt, May 6, 1862, Choctaw Papers, Indian Archives Division, Oklahoma Historical Society, Oklahoma City, Oklahoma.

⁵S. S. Scott to George W. Randolph, October 22, 1862, Official Records, Army, Ser. I, Vol. XIII, pp. 890-891; "Senate Journal, October, 1862 Session," Choctaw Papers, p. 251; "House Journal, October, 1862 Session," ibid., pp. 59-60; "Senate Journal, October, 1862 Session," ibid., p. 251.

⁶An act entitled, "An act for the relief of certain families or persons in this Nation," October 21, 1862, Acts and Resolutions of the General Council of the Choctaw Nation, October Session, 1862, ibid.

⁷Burgett, "Obsolete Paper Currency of Indian Territory and Oklahoma," p. 4; Treasurer's Report, 1862-1863, Choctaw Papers.

⁸Certification of election results, Douglas H. Cooper, October 7, 1862, United States Bureau of Indian Affairs, Miscellaneous Documents, 1864-1865.

⁹Samuel B. Maxey to Peter W. Gray, July 21, 1864, Peter P. Pitchlynn Papers; Message of P. P. Pitchlynn ... delivered before the Choctaw Council in Extra Session ... January, 1865 (Fort Towson, Choctaw Nation: Government Printing Office, n. d.), p. 4.

¹⁰Ibid., pp. 3-4.

¹¹An act entitled, "An act to purchase Cotton and Wool Cards for the use and benefit of the indigent Choctaw Soldiers' Wives &c," Acts and Resolutions of the Choctaw Nation, October, 1864, Choctaw Papers; Samuel B. Maxey to Samuel F. Mosely, Peter P. Pitchlynn Papers.

¹²Resolution, January 19, 1865, Acts and Resolutions of the Choctaw Nation, 1865, Choctaw Papers.

¹³Ibid.

¹⁴An act entitled, "An act to appropriate Money to Enable James Thompson to Transport Refugee Cotton &c," ibid.; Circular, Douglas H. Cooper, April 10, 1865, Peter P. Pitchlynn Papers.

¹⁵Ramsdell, ed., Laws, pp. 24-26; Elias C. Boudinot to Stand Watie, May 11, 1865, Cherokee Papers; D. H. Cooper to E. Kirby Smith, May 15, 1865, Confederate District of Indian Territory, Letters Sent, May 10-27, 1865.

¹⁶An act entitled, "An act creating interest on National and Treasury Warrants," October 17, 1865, Senate Records, Choctaw Nation, Choctaw Papers.

CHAPTER IX

THE SUPREMACY OF PAPER MONEY

When the Confederate States began to organize and prepare for operations, it was faced with the problem of monetary policy. Paper money, and the credit it produced, was the answer resorted to by the central authorities, and it poured from the printing presses in an unending stream. While this was happening, the citizens had to deal with the large volume of paper money printed by the central government, state governments, private individuals, and corporations. Fiat currency, backed by little more than faith in the government, became the order of the day, and it soon established its supremacy. Gresham's Law dictates that bad money will drive good money from circulation, and as Confederate paper money became the standard, first specie, then bank notes, and finally some state issue disappeared from general circulation.

Banking activities had been going on in the South long before it broke away from the United States, and the ensuing conflict did nothing to diminish business. In addition to the bank notes that provided an early circulating medium, the banks continued to perform their normal functions of loan accounts and checking accounts. The records of the central government contain numerous records of people sending checks to Memminger for bonds; among the banks drawn upon for these funds were the Bank of Virginia and the Bank of the Commonwealth. Another vital

function they performed was to receive subscriptions to the first Confederate loan and forward them to various officials of the central government. The volume of loans to private citizens varied among the banks of each state, but even though some of them decreased the number of loans they made during the war, they still continued to make some.¹

By far the most recognizable contribution of the banks, however, was their notes. The Bank Convention of the Southern States, held in Atlanta, Georgia, beginning on June 3, 1861, addressed itself to the question of money, and several proposals were made relating to paper currency. Among these was to ask the Confederate Congress to limit the amount of the Treasury notes and make them legal tender. The convention also wanted Congress to pass a law making Confederate bonds and currency a backing for banking capital like gold and silver. A resolution that passed the convention allowed banks to accept Confederate paper money on deposit and loan their own notes to the central government.²

The banks made generous loans of their bills to Memminger in exchange for Confederate stocks. The Charleston Daily Courier observed in August, 1861, that the banks "have the highest confidence in the security which the government can give."³ But the banks also used Confederate bills as backing for their own. The governor of Mississippi, John Gill Shorter, noted on February 1, 1862, that the merchants of his state needed an interstate currency. He maintained that this requirement was provided by Confederate paper money as well as the bills of solvent banks. Bank bills had gained out-of-state circulation, Shorter maintained, when "Banks of the different States, by an arrangement made with each other, [sought] to adjust their balances by use of Confederate

Treasury notes."⁴ In addition to Confederate paper money, banks also backed their bills with state bonds and notes as well as limited amounts of specie. Therefore, while the 1861 bank convention did not petition the Confederate Congress to authorize this, banks were able to work out such arrangements among themselves.⁵

Apparently bank notes of the states in the Confederacy were not the only bank notes circulating in its boundaries. Records indicate that in addition there were also bank notes from the following areas: Canada, Massachusetts, Connecticut, Rhode Island, New Jersey, Delaware, New York, Pennsylvania, Maryland, the District of Columbia, Ohio, Indiana, Wisconsin, Michigan, and Nebraska. Because most banks within the Confederacy were permitted to expand their amounts of outstanding notes, inflation began to take its toll. Although bank notes experienced substantial inflation, it was decidedly less than the inflation experienced by the paper money issues of the central government. In 1863, when gold was selling for twenty dollars in Confederate notes, it cost only three dollars and twenty-five cents in bank notes. The price of bank notes never rose much above this level for the remainder of the war, and they even began to command a premium in Confederate paper money. Thus bank notes were considered of more value than Confederate currency. Perhaps this was why Confederate paper money appeared more and more in commerce, supplanting bank notes. Indications are that bank notes came to be hoarded.⁶

Even if bank bills did disappear from circulation in time, the process was not as fast as the rapid evaporation of specie from the commercial life of the states. Well before the close of the first year of the war, and even before the end of September, 1861, specie had

completely disappeared from general circulation and the business community. With this loss, several remedies were tried to alleviate the shortage of change. Metal tokens made a brief appearance in 1861, and circulated in only a few areas. For the most part, only Alabama, Virginia, and South Carolina had a period of flirting with token coinage. In 1853, the Mobile Jockey Club issued a token that may have circulated during the war years, but this is debatable. Other early tokens, which could have been pressed into service during the emergency, were issued in Selma, Alabama, and Charleston, South Carolina. Charleston had a number of possible contenders for this role, including a penny-size token of brass, copper, and german silver, the last metal named being an alloy of copper, zinc, and nickel which had a white, silver-like appearance. These tokens were made with the name of slave auctioneer W. W. Wilbur in 1846, and one authority states that they definitely circulated during the early part of the war. In 1859, the Marshall House token was issued in Virginia and circulated as the equivalent of one cent in Richmond, Virginia, until at least the early part of 1862.⁷

By far the best known of all Confederate tokens was called the "Wealth of the South." It was produced in Cincinnati, Ohio, and shipped to the South through Louisville, Kentucky, and Nashville, Tennessee. Supposedly it was for distribution throughout the Southern states, but large quantities were seized and never placed in circulation. Worn specimens are found today, however. These tokens are usually associated with the state of South Carolina and may have been used within the city of Charleston.⁸

The study of tokens in the Confederacy is difficult. Not only is there little documentation, but the pieces themselves are scarce.

Also, a large number of fantasy tokens created after the war to sell to collectors have appeared. In 1878 a Confederate silver token and a "quarter" were reported to have been discovered, but the conclusion was reached at the time that these were of postwar manufacture. Other bogus Confederate tokens created since the war have complicated the story. Even an attempt at a national token system for the Confederacy never gained much congressional support. Therefore, only a few tokens can be pointed to as definitely Confederate.⁹

Thus metal tokens were not widespread in the Confederacy and did not solve the change shortage for even a brief period. Because of the small denominations involved, postage stamps were often used in lieu of change. At first, even United States postage was accepted. In July, 1861, James Gardner, the editor of the Augusta, Georgia, newspaper Constitutionalist, was willing to take United States stamps in payment for subscriptions to his tabloid. Postmasters were also known to give postage stamps instead of coin in change. In April, 1861, the postmaster at Madison, Louisiana, finding that he had no stamps, had his own shinplasters printed, with the value of three cents on each, and gave these instead of change. And on December 31, 1861, A. G. Mayers, the postmaster at Fort Smith, Arkansas, complained because he had not received any two cent stamps. He stated that these were "greatly needed to make change."¹⁰

In time specie was so scarce that there was not enough even to pay for postage. On November 27, 1861, Confederate Postmaster General John H. Reagan made a report on this situation to Congress in which he urged a law to allow individual postmasters to receive Treasury notes for stamps. Since the smallest denomination of a bill at the time was five

dollars, Reagan felt that change should be arranged between postmaster and customer. The requested authority was soon voted by Congress. Apparently the most common solution was to purchase the precise number of stamps for a bill, thus providing change for making other purchases. But postage stamps were only accepted as a substitute for specie at certain times and rejected at other period. In May, 1862, postage stamps were refused, but by January, 1863, the demand for them was great. In 1864 the Post Office Department had half a million twenty cent stamps printed to meet the demand for small change, and they were freely accepted at first, but the demand eventually died down. Perhaps the reason was that stamps did not stand up for any length of time as they passed from person to person.¹¹

Although coupons from government bonds as well as the bonds themselves were also used as money substitutes, by far the best known replacement for change, and the biggest nuisance, was shinplasters. These small paper items always had a small area of circulation, never straying far from where they were issued, but there were enough of them in numbers alone to make up for that problem. By November, 1861, only shinplasters were in circulation in Virginia as change, and even Texas was not far enough removed from the war to be immune from them. By December, 1861, one newspaper editor in Texas was decrying shinplasters as a major nuisance. He stated that twenty merchants had already told him they would not touch them and that even the best paper shiplasters were selling at a twenty percent discount. By May 16, 1862, this same editor reported that shinplasters were at flood levels, and that many of the firms that issued them had folded. He openly suggested that many people had them printed in order to obtain government money with which

they could then speculate. By December 10, 1862, he was advocating the removal from circulation of all notes, except those of the Confederacy, and on June 11, 1863, another Texas newspaper editor urged the redemption of all county scrip. Many Confederate states sought to control the situation by replacing shimplasters with state change bills, or as in the case of Virginia, the issue of city notes by Richmond, but these efforts came too late.¹²

The problem of change was not the only monetary situation faced by both central and state governments early in the war. For the most part, small change bills were considered to be any denomination below five dollars. Most of the shimplasters bore face values below one dollar, and were merely for purposes of change. This still left a void between the sum of one dollar and five dollars. To further complicate the situation, the Confederacy did not print paper money below the value of five dollars until late 1862, and many states did the same. Some banks, however, were authorized to issue these denominations early in the conflict, and these bills must have been those used in the meantime. Since the number produced must have been small, hardships and demand were created. In July, 1861, one Confederate official asked to be supplied with \$50,000 in the "smallest possible denomination notes," testifying to his need for these.¹³ A Georgia state official made reference to the fact that the smallest bills he could get from the banks were the twenty dollar denominations because both banks and citizens had withdrawn the smaller bills from circulation, causing a great void. In June, 1861, a North Carolina bank teller and a Confederate Navy paymaster at Charleston, South Carolina, pleaded with the central government to have \$100,000 in bills of large denominations exchanged

for small ones. When bills of lesser value became more readily available, requests for them declined in number. By November, 1862, the cashier of the Bank of the State of South Carolina verified that he had received a shipment of \$12,000 in Confederate two dollar bills. The next month the Branch Bank of Columbia, South Carolina, asked the Confederate Treasury officials for the immediate shipment of one and two dollar bills, and likely he received them. By 1863 this crisis had passed.¹⁴

When Confederate notes first appeared, they were on a par with gold and continued so, at least in many of the interior portions of the country, well into 1862. Early in Confederate history, foreign visitors to Richmond freely spent specie as well as Confederate paper money even as late as the summer of 1861, but this situation did not continue. As Confederate paper money declined in value, and prices soared, people probed for the cause of their plight. At an early date they blamed speculators. On June 15, 1861, the editor of the Daily Richmond Examiner complained about this group, and the protests grew louder with time. In December, 1861, a Texas trader identified only as "S. M.," defended himself against charges of extortion. He maintained that the price of coffee had gone from thirteen cents to twenty cents a pound because of shortages due to speculators buying up the crop. In late October, 1862, a Baptist preacher in Richmond could not find it in his heart to pray for speculators and extortioners, and the next month a church newspaper attacked extortioners, claiming "extortion is moral treason."¹⁵

As the war continued, public indignation against speculators also grew. Soldiers in the field also decried them and the conditions which

it was felt they had caused, and some even feared that the Confederacy would lose the war because of their manipulations. By October, 1862, prejudice against extortioners was so strong in Richmond that John B. Jones, a clerk in the Confederate War Department, felt that there would be much violence during the winter months. Two months later, Jones feared that speculation would bring about governmental bankruptcy within a year or so. Not only did the cost of goods increase, but all values rose: stock prices skyrocketed and land costs reached astronomical limits by the middle of 1863. In the interior of the country, the inflationary pinch was not quite as severe at first, but the prejudice against speculators was evident. An example can be found on August 5, 1863, when a Columbia, South Carolina, church newspaper, The Confederate Baptist, reported on the price of flour in the port city of Charleston. In doing this, the newspaper wryly added: "we are almost afraid to mention the price, lest some extortioner, in the interior, should take courage at it, and advance the prices of his wheat."¹⁶

In addition to speculators, a few people even complained about the actions of corrupt officials. By June, 1863, John B. Jones reported that all civilians seemed to have gone wild with speculation; he also noted that official corruption was widespread. In October, 1863, Jones recorded an incident where a Mr. Moffitt, an agent of the Confederate Commissionary General, was buying beef on his own at government prices from sixteen to twenty cents per pound, which he then sold to butchers at forty-five to fifty-five cents per pound. In the United States there was also an excess of money from the war and thus speculation prevailed. Officials of the Washington government conspired with naval contractors and army suppliers to syphon off as much of this money as

possible, and the same situation must have existed in the Confederacy as well. Blank vouchers were filled out by clerks and forged by suppliers in the United States in addition to the Confederate States. It is a documented fact that Confederate Quartermaster's checks were forged, so it seems only reasonable that widespread corrupt practices were encountered by both governments during the war.¹⁷

While the general public in the Confederacy blamed speculators and extortioners for rising prices, some people were slowly starting to examine other possibilities. The conclusions of this group were summed up by one man after the war: "It has often been charged that speculators ruined the currency. But, to give the children of the devil their due -- we can scarcely think but that the currency made the speculators."¹⁸ Early in Confederate monetary history a proposal had been made to back Confederate paper money with cotton and tobacco, promising substantial commodities for its redemption and probably making it preferable to specie, but this action was never taken. In time knowledgeable people decided that too much paper money was outstanding, with shinplasters and non-current banking paper receiving the first blast of indignation. But by 1862 even Confederate notes were added to this list as when a Texas editor urged his readers to convert excess paper money to bonds. Voluntary public conversion of notes to bonds, however, did not even commence to remove the surplus paper money circulating in the business community.¹⁹

In 1863 the cry began for taxation as the only way to reduce excess currency. The people and the press clamored for this remedy, and on March 16, 1863, the Daily Richmond Enquirer cried, "For God's sake tax us."²⁰ On March 23, 1863, the Confederate Congress gave the public

its answer when it authorized the issuance of \$50,000,000 in Treasury notes per month without any pledge for their eventual redemption. By November, 1863, there was far more currency in circulation in the Confederacy than could ever be required for the normal transaction of business, and only by reducing this volume could paper money be kept from depreciating further. Even President Davis admitted that by December, 1863, there was more than three times the amount of paper money in circulation than required to support the business affairs of the country. In November, 1863, at least one Confederate official had come around to the taxation solution, and he proposed a \$600,000,000 levy, payable in paper, commodities, or slaves. The government, he argued, could use commodities and slaves tendered for the tax, and the paper money received could be retired from circulation. But Congress did not even consider this plan, and on November 1, 1863, Robert Garlick Hill Kean, head of the Bureau of War, reflected growing sentiment when he observed that the "currency is hopelessly bankrupt."²¹

The original governmental idea of keeping the level of currency at manageable limits was to have Confederate Treasury notes convertible into eight percent bonds with interest payable in specie. Thus any excess would be invested in interest-bearing bonds. But, as Davis observed later, the success of this plan depended on the Confederacy being able to pay in specie, and this item became more expensive and difficult to secure as time passed. What Davis did not say was that the plan also required a limited issuance of paper money, but this was not done by the government. Nevertheless, the Confederate monetary system did succeed for a while, and it had its supporters. When the Confederacy began, it was generally thought reprehensible by the public

for any person to refuse the national currency in payment, and in this way patriotism and the pressure of public opinion dictated its early acceptance. On January 13, 1862, a Texan had claimed that silver was not money, but was needed only for change and should not be hoarded. The general population, however, did not share this opinion or heed his word. On April 22, 1862, another person attempted to calm people's fears about paper money by maintaining that there was no reason why it should not be a good domestic currency. Why should people fear that the government would abuse this privilege and overprint paper money, he questioned, and observed that even if it did, other governments had abused coins by debasing them by reducing the amount of precious metal or substituting non-precious metals.²²

As the volume of paper money increased, its purchasing power declined. In Richmond, with its swelling population, numerous visitors, and limited supplies, prices climbed higher and faster than elsewhere. But even so, there were still ways of cutting costs. Gardens were planted and prices were lower for those who could shop at the government commissary. In December, 1863, a barrel of flour cost \$115 on the street, but could be purchased for forty dollars in the commissary. In May, 1863, a meal of corn bread, boiled fish, and two hard boiled eggs could be purchased for one Confederate dollar in Petersburg, Virginia. But as many soon discovered, whenever Federal forces approached an area, Confederate paper became worthless and was often refused in payment of bills. By December, 1863, many people were beginning to feel that Confederate paper money would eventually collapse, and that no amount of reform could save it. Every person and all property in the Confederacy had been pledged to pay the paper money, observed John B.

Jones, and since the same persons and property would have to be pledged to redeem new paper money there was no reason to suppose that new paper money would not also depreciate. Only independence could help the value of Confederate Treasury notes, Jones noted, for there would be no redemption if the Confederacy failed. Only people's faith in eventual victory kept the system from collapsing earlier.²³

By the close of 1863, the Confederacy had been inundated by a flood of paper money. The population had accepted the situation through patriotism and belief in the nation's final success. The plan adopted by the Confederacy would have worked, but only if the paper issues had been kept relatively small in volume and if specie could have been obtained at a reasonable cost to pay interest on the bonds. Neither of these conditions prevailed and official corruption provided another minor cause for undermining Confederate credit. At first speculators and extortioners were generally blamed for rising prices, but soon many began to blame the excess of paper money. Confederate paper money became identified with the Confederate debt and many began to despair that it would ever be paid in its entirety. With the advance of Federal forces, Confederate money became almost totally useless as many merchants refused to accept it in payment of debts. Even by mid-1863 it had become obvious to many that something had to be done to bring order to the chaotic Confederate monetary situation. Plans had been suggested earlier, but it was up to Confederate authorities to act. The cry grew to reduce the volume of paper money. After much delay, the Confederate government belatedly commenced monetary reform in 1864.

FOOTNOTES

¹Ralph Sorrell to Memminger, November 1, 1862, John D. Kirkland to Memminger, November 13, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865; Thomas R. Moring to Memminger, February 8, 1862, Confederate Office of the Register, Letters Received, March 20, 1861-June 18, 1862; Anderson, ed., Brokenburn, p. 19.

²Daily Richmond Examiner, June 10, 1861.

³Charleston Daily Courier, August 27, 1861.

⁴John Gill Shorter to J. F. Foster, February 1, 1862, Governor Shorter Papers, 1861-1863.

⁵Various bank reports, Confederate States Treasurer, Miscellaneous Office Records, June 5, 1861-March 8, 1865, Record Group 365, National Archives.

⁶"Schedule of Bank Notes," undated, ibid.; Schwab, The Confederate States of America, p. 133.

⁷Joseph N. T. Levick and Edward Groh, "Names of Firms on Tokens issued during the Civil War. Names of Firms on Tokens other than War Series and issued from 1789-1890," American Numismatic Society Museum Library, New York, New York; George and Melvin Field, Token Collector's Pages (Boston: Quarterman Publications, 1972), pp. 22-26, 50, 39; Watie Raymond, The Standard Catalogue of United States Coins and Tokens (New York: Wayte Raymond, Incorporated, 1941), p. 186; Russell Rulau, "1860 and 1861 Civil War Cents," Calcoin News, Vol. XVI, No. 1 (Winter, 1962), p. 10.

⁸E. B. G. of Cincinnati, "'No Submission' Token," American Journal of Numismatics, Vol. XIII, No. 1 (July, 1878), p. 16; George and Melvin Field, "The Wealth of the South Mulings," Numismatic Scrapbook Magazine, Vol. XXIV, No. 9 (September, 1958), p. 1786.

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¹⁰J. B. Campbell to James Gardner, July 5, 1861, Executive Letter Book from August 21st 1860 to May 12 1864, Georgia State Archives; The Daily Picayune, April 11, 1861; A. G. Mayers to the Chief Clerk of the Finance Department of the Post Office Department, December 31, 1861, Records of the Fort Smith Post Office, 1858-1862, Arkansas and Red River

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¹²Thomas C. Reynolds to Jefferson Davis, January 18, 1864, Rowland, ed., Davis, Constitutionalist, Vol. VI, p. 151; Report of the Postmaster General, November 27, 1861, Record of Letters and Other Communications from the Post Office Department; John S. Foster to Aunt Jennie, November 14, 1861, John Foster and Family Correspondence; Tri-Weekly Telegraph, December 30, 1861, May 16, 1862, December 10, 1862; The Tri-Weekly State Gazette, June 11, 1863; Daily Richmond Enquirer, April 16, 1862.

¹³John C. Booth to A. J. Guirot, Confederate Office of the Comptroller, Letters Received, April 15, 1861-January 10, 1862.

¹⁴George W. Rains to the Confederate States Treasurer, [1861], George W. Mordecai to Memminger, June 4, 1862, George H. Ritchie to E. C. Elmore, June 4, 1862, W. C. King to E. C. Elmore, November 3, 1862, J. S. Clark to T. Grier Erey, November 13, 1862, M. L. Brown to Memminger, December 3, 1862, Confederate Secretary of the Treasury, Letters Received, 1861-1865.

¹⁵Thomas C. DeLeon, Four Years in Rebel Capitals: An Inside View of Life in the Southern Confederacy, from Birth to Death (Mobile, Alabama: Gossip Printing Company, 1890), p. 231; Daily Richmond Examiner, June 15, 1861; Tri-Weekly Telegraph, December 30, 1861; The Confederate Baptist (Columbia, South Carolina), October 15, 1862, November 12, 1862.

¹⁶Bell I. Wiley, The Life of Johnny Reb: The Common Soldier of the Confederacy (New York: Bobbs-Merrill Company, 1943), p. 135; Jones, Diary, Vol. I, pp. 164, 200; The Confederate Baptist, June 3, 1863, August 5, 1863.

¹⁷Jones, Diary, Vol. I, p. 350, Vol. II, p. 70; Henry S. Olcott, "The War's Carnival of Fraud," The Annals of the War written by Leading Participants North and South (Philadelphia: Times Publishing Company, 1879), pp. 707, 709; Memminger to Lewis Cruger, August 27, 1863, Confederate Office of the Comptroller, Correspondence, 1861 and 1863.

¹⁸DeLeon, Four Years in Rebel Capitals, p. 235.

¹⁹Daily Richmond Examiner, July 12, 1861, October 31, 1861; Tri-Weekly Telegraph, December 10, 1862.

²⁰Daily Richmond Enquirer, February 17, 1863, March 8, 1863, March 16, 1863.

²¹Fitzgerald Ross, Cities and Camps of the Confederate States, ed. by Richard B. Harwell (Urbana: University of Illinois Press, 1958), p. 160; Daily Richmond Enquirer, November 11, 1863; Jefferson Davis, A Short History of the Confederate States of America (New York: Belford Company, 1890), p. 123; Edward Younger, ed., Inside the Confederate Government: The Diary of Robert Garlick Hill Kean, Head of the Bureau of War (New York: Oxford University Press, 1957), pp. 118, 116.

²²Davis, Short History, p. 122; Edward A. Pollard, The Second Year of the War (New York: Charles B. Richardson, 1864), p. 288; Tri-Weekly Telegraph, January 13, 1862; Charleston Daily Courier, April 11, 1862.

²³Chesnut, Diary from Dixie, p. 329; R. M. Collins, Chapters from the Unwritten History of the War between the States (St. Louis: Nixon-Jones Printing Company, 1893), p. 121; Cornelia McDonald, A Diary with Reminiscences of the War and Refugee Life in the Shenandoah Valley, 1860-1865, annotated and supplemented by Hunter McDonald (Nashville: Cullom and Ghertr Company, 1934), p. 104; Betsey Fleet and John D. P. Fuller, ed., Green Mount--A Virginia Plantation Family during the Civil War (Lexington: University of Kentucky Press, 1965), p. 250; Jones, Diary, Vol. II, pp. 113, 114-115.

CHAPTER X

THE DEMISE OF PAPER MONEY

The year 1864 opened with the people of the Confederate States inundated by a flood of paper money. Change bills, state issuances, shinplasters, bank paper, and Confederate Treasury notes had combined to create monetary chaos. Much more paper currency was afloat than could be absorbed by the Confederate economy for many years, even if the nation built factories and other industries. This would have been the only way that the economy could have handled the surplus paper money, but at the time the area was not ready to industrialize. It had been simple for the governments, banks, and merchants to print promises to pay, and they had eagerly resorted to this course of action as an inexpensive way of financing the war. This situation needed correcting to bring order and stability to a currency rapidly depreciating in value.

By the beginning of 1864, most people in authority had begun to acknowledge that it was the surplus of paper money that was the primary cause of inflation. With each increase of paper money, all outstanding issues decreased in purchasing power. President Davis maintained that the volume of paper money must be reduced to the amount required to carry on the business activity of the country. In February, 1864, the Confederate Congress acted by attempting to force the redemption of as much of the money in the old issues as possible. This was done by

declaring that the old notes could be exchanged for bonds, without loss of value, if they were presented before April 1, 1864, west of the Mississippi River, or before July 1 east of the river. For notes presented after that date, however, above the value of five dollars, they could only be exchanged for new issue notes with a thirty-three and one-third percent tax imposed. Thus three dollars in old bills would be worth two dollars in new bills. One newspaper felt that the success of the new issue would depend upon the people's willingness to convert their old bills at a discount. If they refused to do this, which was the general concensus before April 1, 1864, then the new issue paper money would remain in the Confederate Treasury, because it was not to be paid except to replace the old issues of paper money, and the old notes would continue to circulate at a discount worked out at each transaction.¹

Hopes were high as to what would be accomplished by the new issue paper money law. One editor hoped that over \$700,000,000 would eventually be withdrawn from circulation, and President Davis claimed that by July 1, 1864, over \$300,000,000 had been funded. It was hoped by everyone that prices would soon go down, but only notes above five dollars were affected, and lower denominations were at par with the new issue. Some prices rose prior to April, 1864, due to uncertainty about the affects of the law. People began saving all five dollar bills they received prior to April 1, 1864, and used the larger values to pay their debts. East of the Mississippi River a trade sprang up after April 1, 1864, in buying up unfunded notes above the denomination of five dollars and sending them west of the river to be funded. While some areas reported a decline in prices after April 1, 1864, such was not the case in the city of Richmond. In April sugar and molasses increased in

price, and by April 23, 1864, the Daily Richmond Enquirer called for living with the situation instead of trying to reform it. These bitter feelings were later reflected by the Richmond Dispatch which expressed resentment of the fact that Congress debated financial legislation while the war was raging and the Congress itself made emergency plans to flee. By June 10, 1864, the new issue was still to be found only in the towns of Virginia and Richmond, and had not reached the interior areas. The plan to reduce the excess of currency had failed to restore to health the chaotic monetary condition. Although some prices had fallen, such declines were local and unlike the general pattern of continuing inflation.²

The army and the currency were the two main questions on people's minds by 1864. The monetary problem was met in different ways in various areas of the Confederacy. In the interior portions a system of barter developed, and a disdain of Confederate paper money manifested itself. In these areas, there was virtually no industrial life, like in much of the United States, to absorb the excess of paper money, and the quantity was therefore overwhelming. The Trans-Mississippi Confederacy developed a growing reliance on commodities, the specie produced by the sale of these goods in Mexico, and an aversion to Confederate bills. As early as October, 1863, many people in Texas and northwestern Louisiana refused to accept Confederate money, and those who did receive it charged high prices. In June, 1864, a person told about paying off debts in Tyler, Texas, with old issue paper money and finding creditors hesitant to accept it, but people were eagerly seeking to liquidate their debts with the old issue. By April, 1865, nobody in Texas would accept Confederate bills. For a year or more before the

end of the war the state had been practically on a gold basis.³

But the East was not as fortunate, for it had only paper money. There the monetary situation deteriorated to the point that The Confederate Baptist wanted its readers to pay their ministers in provisions instead of money. For those who had specie, life turned out to be much more enjoyable and not nearly as difficult as for those who lacked it. Those with only Confederate paper money encountered many monetary problems in daily living. This was the case with Mrs. Mary Boykin Chesnut who lived in Richmond, Virginia, and various places in South Carolina during the war. In May, 1864, Mrs. Chesnut, then in Camden, South Carolina, showed her faith in the Confederacy by purchasing Confederate bonds from a private party for articles of gold she scraped together. But even she eventually developed a willingness to dispose of Confederate paper money for whatever could be obtained. In August, 1864, Mrs. Chesnut, then in Columbia, South Carolina, inadvertently paid one hundred dollars too much to a merchant. When the merchant called her attention to this oversight, she merely laughed and said, "Who steals my purse steals trash--if it contains Confederate bills."⁴ By February 25, 1865, she was referring to the notes as waste paper, and the next month she confided, "I hager in yarn for the millionth part of a thread! When they ask for Confederate money, I never stop to chaffer."⁵ Even Confederate bonds fell out of favor. On October 11, 1864, an artillery officer who perceived how the war would end, referred to bonds as poor securities. Thus the average citizen was beginning to lose faith in eventual Confederate victory. And with this loss of morale, the value of Confederate paper money declined even further.⁶

Midway during the war, another type of paper money was growing more

in favor with the people of the Confederacy. These were the legal tender Treasury notes, or "greenbacks," issued by the United States. By the second year of the war, Edward A. Pollard, editor of the Richmond Examiner, reported that a lively trade had developed in greenbacks which were sold by brokers at one dollar for four Confederate dollars. Millions of dollars in state bonds and bank notes were sent to the United States in order to secure greenbacks. These United States notes eventually found their way into general circulation throughout the Confederacy and were willingly accepted by the public. The central authorities did nothing to stop this practice, and even appeared to condone it by making use of the currency. Indeed, on April 19, 1865, Forrest's Cavalry was paid in greenbacks at the rate of one United States dollar to fifteen Confederate dollars. It would seem then that any money, even that of the enemy, grew to be preferable to Confederate paper money within the nation.⁷

With prices skyrocketing, even the central government and its officials began to feel the inflationary pinch. On March 15, 1864, Mrs. Chesnut reported that the President's wife, Varina Howell Banks Davis, could no longer live within their income and had to give up their carriage and horses in an economy move. When the new issue paper money appeared and did nothing to reduce prices, some other remedy had to be found to give credit to Confederate paper money and buoy up its purchasing power. Since gold seemed to be coveted by everyone, it was to it that the central government turned its attention. In a move that would be duplicated by many governments in years to come, the authorities would attempt to manipulate gold in an abortive effort to increase the value of Confederate paper money.⁸

Why should the Confederacy not try to manipulate gold? In January, 1864, the editor of a newspaper had attempted to point out to the public that gold was only merchandise like any other commodity. He stated that commerce should be done in paper currency and he called for full confidence in Confederate notes. On January 17, 1865, Representative Humphry Marshall of Kentucky presented his plan to the House of Representatives for increasing the value of the central government's money. Under terms of his suggestions, he believed that all cotton, tobacco, and gold in the Confederacy should be seized and become the property of the government. Marshall stated that these items would then be used for the public good and would be paid for with Confederate Treasury notes which would be a legal tender. Congress never acted on this proposal, but another member of Congress had a different idea which he advocated in private and was later recalled by a person who had overheard the plan.⁹

This unnamed Congressman--near the end of the Confederacy's existence when a gold dollar was selling for over one hundred Confederate dollars--had a simple solution to this complex problem. He reasoned that gold was an inconvenient currency and only a few people wanted it as anything other than a monetary basis. Therefore, Congress had only to declare all Treasury notes redeemable at par in gold to solve its monetary problems. As long as the notes were theoretically exchangeable for gold, nobody would want to exchange them except for a few people. The Confederate Treasury would have enough gold to meet this small demand, and the rest of the people would be satisfied in the belief that they could convert their paper money to gold any time they wished. The government could then issue any amount of paper money

required to meet its expenses, and there would be full confidence, low prices, and a strong currency. In this way the Confederacy "shall have created the untold wealth which our currency represents."¹⁰

But the new Secretary of the Treasury, George A. Trenholm, was a little more practical than this. His solution, the one that was followed by the central authorities, was to attempt to manipulate the money market through buying and selling of gold. On December 31, 1864, he took his first plunge into the arena and sold gold. His efforts were initially rewarded by a decline of thirty-three percent in the price, but John B. Jones felt this would not last. By January 6, 1865, Jones reported that the price of gold had fallen to thirty dollars Confederate for one of gold, but five days later it had doubled this value. Trenholm again acted by selling cotton and tobacco to the United States for gold and pounds sterling bills which were then used for buying outstanding Treasury notes. His efforts were once again rewarded as gold dropped from eighty Confederate dollars for one gold dollar to a rate of fifty Confederate dollars for one gold dollar. Jones added, however, "the flood will soon overwhelm all opposition, sweeping every obstacle away."¹¹ Six days later, on January 27, 1865, Jones reported a broker had informed him that he had an order from the government to sell gold at thirty-five Confederate dollars for one dollar in gold, but this was not the market price at the time. When the last official sale of Confederate notes occurred in May, 1865, the rate had climbed to \$1,200 for one gold dollar.¹²

The final result of all of Trenholm's financial manipulations was that he had been able to temporarily reduce the market conversion rate and thus strengthen the Confederate dollar. But the result was not

lasting and Congress had to pass laws to permit the confiscation of coin for the needs of the central government. As another indication of the desperate condition of the Confederate Treasury, on March 13, 1865, a resolution was passed allowing Trenholm to accept public contributions of money, jewels, gold and silver plate, and public securities, and the Secretary of the Treasury issued a notice to this effect on March 15. Trenholm's proclamation appeared in the Richmond newspapers on March 25, but it is doubtful if many contributions were received. On March 9, 1865, the final estimate of appropriations for expenses of the calendar year 1865 was made by the Treasury Department. It totaled \$1,141,642,148.28. Apparently any successes Trenholm had enjoyed were short lived.¹³

The Confederate Treasury never contained a large amount of coin. Most of it was shipped overseas for foreign purchases and other operations. In addition, a sizable quantity of specie was spent in the final months trying to bolster the value of the Confederate dollar. In these same months before Richmond was evacuated on April 2, 1865, silver coin was being sold to the public at a rate of sixty Confederate dollars for one silver dollar. While the fleeing government rested in Danville, Virginia, sales were resumed at the rate of seventy dollars for one. Even so, there have been continual rumors of a large cache of buried Confederate gold. There was very little to begin with and there was even less when the government was forced to flee Richmond. But the story of the flight presents several possibilities for rumors of buried Confederate gold. There may or may not have been gold buried by Confederate authorities, but it is possible that any gold buried could have been that removed from banks in Richmond.¹⁴

Shortly after Confederate officials fled Richmond, Secretary of the Treasury Trenholm had to resign due to ill health and go his own way. His duties were assumed by Postmaster General John H. Reagan. Years later Reagan recalled that when he received the Confederate Treasury it amounted to \$600,000 or \$700,000 in Treasury notes, about \$85,000 in gold coin and bullion, approximately \$35,000 in silver coin, and around \$36,000 in silver bullion. Altogether, Reagan estimated he assumed control over a total of approximately \$156,000 in gold and silver coin and bullion. Another individual estimated the total of Confederate specie at about \$200,000, and still others placed the total slightly higher, but the Richmond banks also sent about \$300,000, mostly in gold, in charge of their own officials. Nearly all contemporary authorities make reference to this fact, emphasize that the specie of the Richmond banks merely accompanied the fleeing Confederate authorities, and that officials of the Richmond banks were also along to oversee the security of their gold.¹⁵

According to estimates of other people, Reagan was extremely low in his report of the value of the precious metals carried with the retreating government. A total value of \$327,000 was reported by the final acting Treasurer of the Confederate States, Micajah H. Clark, as having been carried from Danville, Virginia, on April 6, 1865. By April 12, President Davis was at Greensboro, North Carolina, where he met with General Joseph E. Johnston. It was here that \$39,000 of the treasure was used to pay the troops of General Johnston and another \$35,000 was dispatched with President Davis when he left, and who later sent it ahead of him to Florida. Payments and salaries ate away at this \$35,000 until a final distribution was made in Florida. The

records show that this shipment consisted mainly of gold sovereigns from Great Britain. The main Confederate treasure train later caught up with Davis at Washington, Georgia.¹⁶

It was at Washington that the final distribution of Confederate funds was made. President Davis instructed Reagan to close the business of the Post Office Department and Treasury Department and leave the city. Reagan said that he did this and departed the day after Davis had taken his leave of the city, but not before he had delivered the funds from the Richmond banks to their agents; estimates place the amount of specie involved at this point at between \$200,000 and \$300,000. The final distribution of specie from the Confederate Treasury was not made by Reagan but by the acting Treasurer Clark. He reported that \$1,000 was paid to John C. Breckinridge for transmission to the Confederate Trans-Mississippi Department, \$86,000 was sent with James A. Semple for delivery to some foreign port, \$3,500 was paid to Reagan for his services, and that the remaining \$162,500 had already been used for previous pay and provisions or was distributed at the time to those who remained. About \$40,000 in silver bullion was also turned over to the Commissary Department to feed paroled soldiers and stragglers who passed through the area. The only amount of specie that could have been hidden, giving rise to legends, was the \$86,000 paid to Semple, and this could have been mostly bullion.¹⁷

The only large total of money remaining undistributed at Washington, Georgia, was the specie from the Richmond banks. The officers of the banks next sought the help of Federal authorities to return the coin to Richmond. While the shipment was heading north, the men of Vaughan's Brigade, one of the escorts, heard of it and, believing that it was the

property of the Confederate government which had been seized by the United States, decided to help themselves as a reward for faithful service. They captured the train and made off with as much as they could carry, but some of it was eventually recovered. According to various people who later wrote about the incident, some individuals later used this money to start businesses in Missouri, California, Texas, a banking house in Kansas, and at least one bank in the city of Richmond itself. The remaining \$100,000, some of which had been recovered from the culprits, went to the District of Columbia where it remained in Federal hands. The Richmond banks made repeated but likely unsuccessful efforts to gain its return in later years.¹⁸

This only accounts, however, for the funds that were still held within the Confederacy. What happened to the funds that were overseas at the time of the collapse? Could they have composed a large hidden treasure? Judah P. Benjamin told S. L. Barlow on November 28, 1881, that all Confederate funds in Europe had been exhausted before the end came. Indeed, Benjamin maintained that it was only due to a last minute sale of cotton that Confederate officials in Europe were able to meet the final payment of coupons due on bonds sold previously in Europe. The only Confederate items that United States authorities found to seize in Europe were supplies, machinery, and several vessels. But there were other foreign areas where funds had been sent. Some money had been delivered to Canada and this seems to have been distributed to destitute ex-Confederates. One woman in the Shenandoah Valley in Virginia reported that she received one hundred dollars in October, 1865, that she later learned had been in Confederate hands in Canada when the end came. The Confederate fiscal agent at Havana, Cuba, Charles Helms,

reported that he had \$30,000 in gold at the time of the collapse of the Confederate government, and that he took these funds to Canada where he personally used them to send Confederate soldiers to college. Helm maintained that the money was not his and that the Confederacy owed its soldiers their pay; therefore, he established a type of veterans' benefits. Most of the soldiers helped were escaped prisoners from the United States prisoner-of-war camp on Johnson's Island in Lake Erie. From this it would seem that most, if not all, of the overseas funds were used to help the destitute. Perhaps the \$86,000 sent with Semple was among the money distributed in this way.¹⁹

In the final months of the Confederacy's life its people drew away from paper money and grew to rely more on specie and commodities. Eventually, even the central authorities had to join in this general movement. The Trans-Mississippi area led the way in this, thanks to the easy access it had to Mexico, a foreign market. Texas, which was by far the most advantageously located state, was virtually on a gold basis for at least a year before the collapse of the Confederacy. Any money became preferable to the overprinted Confederate currency, and even the enemy's paper money was more readily acceptable to the people than the paper money of their central government. As citizens shunned the worthless bills, specie came out of hiding to a greater extent than at any other time during the war. As it did, Confederate Treasury notes became even less acceptable.

Confederate authorities tried desperately to make paper currency work and hold some value. The 1864 effort to reduce the amount of paper money outstanding through forced conversion into bonds and the issuing of a new paper dollar given a conversion of two dollars new for three

dollars old failed to accomplish its purpose and even seemed to be a repudiation of part of the Confederate debt. As the war ground on, the people in the East continued to hope for ultimate victory, but eventually hope faded and then paper money became so worthless in their minds that they were willing to give any amount of it to obtain what they needed. In late 1864 and early 1865 the central authorities used Confederate gold to improve the purchasing power of the paper dollar, but even this failed. Then Confederate officials made a final but unsuccessful effort to obtain coin, but collapse was at hand. The remaining coin in the Confederate Treasury by then was used to pay salaries, buy emergency supplies, and, as in the case of the funds overseas, help the needy after the war. Thus paper money had been tied to faith in government and belief in eventual independence. As the war dragged on and hope in ultimate victory faded, Confederate morale declined, and the overprinting of the currency, backed by little or nothing of intrinsic value, resulted in runaway inflation which helped to decrease morale even more.

FOOTNOTES

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¹⁸Lewis Shepherd, "The Confederate Treasure Train," Confederate Veteran, Vol. XXV, No. 6 (June, 1917), pp. 257-258; D. H. Maury to Davis, January 18, 1882, Rowland, ed., Davis: Constitutionalist, Vol. IX, p. 144.

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CHAPTER XI

AN EPILOGUE ON MONETARY POLICY

When the Confederate States organized, its officials and people assumed that coinage and bank notes would make up the bulk of the circulating medium, the same as in the United States. Interest-bearing Treasury notes were authorized early by the Confederate Provisional Congress, but were not intended for wide circulation or as the primary medium of exchange. These were like miniature denomination bonds which could be used to pay debts owed the central government, except for export duty on cotton. Secretary of the Treasury Memminger began early preparations for a Confederate coin, in response to dictates of the Provisional Congress, and several trial strikes were made of one design. If these coins had been minted, they would have been, according to law, legal tender for payment of debts up to a limit of ten dollars; the United States had previously set its limit at five dollars. But before ideas for a coinage system could be fully formulated, war began and plans for coins had to be shelved until after the conflict. The central government needed the bullion it had to purchase supplies overseas because its paper money would not be acceptable in other countries.

With the coming of war the central authorities needed to find some other circulating medium as well as a way to pay off its debts at minimum cost to the government. Non-interest bearing Treasury notes

appeared to be the ideal solution to both problems. They could be produced inexpensively, no interest need be paid, they could be used as money by the public, the principal on them was not payable until after a treaty of peace, and, best of all, they could be used to pay government debts and be exchanged for specie and bank notes. It was this last consideration that was at the core of all central and state government issues; the authorities wanted to exchange their paper money, or in effect be loaned a different medium of exchange. These bills were, therefore, merely promises to pay at some future time. Until the Confederate bills could be printed, bank notes had to be used, and these were loaned to the central government by banks in return for interest-bearing Treasury notes, plus the promise of the eventual return of the bank bills or new Confederate paper money bearing no interest. Because the new non-interest bearing issue of the central government was produced in the usual denominations of bank notes, they were meant to integrate with the system that existed prior to then. But the rapid disappearance of hard money placed a severe test on these plans. The eventual superiority of bank paper money also complicated the situation and it came to be hoarded.

Memminger, through a series of early maneuvers, brought about the total domination of Confederate paper money in the monetary life of the community. Private arrangements saw to it that the banks accepted this currency and paid it out at par with specie in the first year of the war. When the banks of New Orleans held out, Memminger used every bit of leverage he could muster to bring about their compliance with his wishes. He even pressured Governor Thomas O. Moore of Louisiana to get the banks in the state to accept the arrangement. Before the end of

September, 1861, all banks throughout the Confederacy had complied.

The public displayed little reluctance to accept Confederate bills at first. Moved by patriotism, citizens felt it was reprehensible not to accept their national currency, and many of the state legislatures even pressured the few who would not receive the notes in payment of debts. Memminger's own answer to this small minority was to bypass it in making government purchases or require it to wait until after the war for payment.

By 1862 the central government's paper money was virtually legal tender and, because of this, a congressional statute legalizing this arrangement was never enacted. This was a blessing for some creditors who could afford to wait until after the war to collect their debts, but many debtors were begging for the opportunity to pay off their debts with the plentiful, low value money then available. Legal tender status would have accomplished this end. It would also have made it compulsory to accept these notes from the government; the central authorities soon saw the results of not making Confederate paper money legal tender.

The central government also failed in controlling state issuances of paper money. Even though Confederate bills circulated widely throughout the Confederate States, they existed alongside the various state notes. Even though the state bills had a limited area of circulation, their quantity pulled down the value of all paper money. The central government should not have allowed them, but it took no action.

The various states of the Confederacy issued their own currency in order to meet their obligations at low cost, much the same as the central government. Georgia even copied the Confederate Treasury

Department's system for keeping records of its issues. Like other minor issues, these bills did not circulate outside of the state limits. Even the most conservative state governments, however, saw the value of their notes decline; Florida considered the modest decline of its notes to be a sympathetic reaction to the collapse in value of Confederate Treasury notes. Perhaps the public began to lose faith that the state governments would ever be able to redeem their outstanding paper money and bonds. There appeared to be too many unsecured debts to be paid off for years after the end of the war, if even then.

Bank bills, however, enjoyed wide circulation. The reason for this was that banks had made use of Confederate paper money--the national currency--as well as bonds issued by the central government as backing for their own notes. While this may have been required to provide interstate circulation at first, the fact that bank paper money was eventually seen as a better medium of exchange than any of the central or state government issuances may have helped sustain demand for it in later years. There was only minor decline in the purchasing power of bank bills during the war.

The disappearance of coins brought about a number of emergency monetary measures. Tokens were used in lieu of change in some areas, but even they disappeared in a short time. Attempts at a national token coinage system never passed Congress, although the idea was considered briefly by that body. Postage stamps were used, but the demand for these as change varied over the years. A reason for this was that stamps did not hold up for long when they passed from person to person. A number of non-governmental solutions emerged locally, including the use of five-cent omnibus tickets in the city of New Orleans. But by far

the widest practiced remedy was shinplasters issued by merchants, corporations, and others. These pieces of paper soon became a substantial nuisance as many firms issued them in large quantities and later went out of business. The issuers were even accused by some of printing this paper change so they could obtain governmental money for speculative purposes. By 1862 the states of the Confederacy generally outlawed them and printed change bills of their own. The states, however, did permit various municipalities and some businesses to print change notes as well, and also required banks to print these same denominations. Some of the shinplasters were withdrawn, but in all probability not all of them. Any type of so-called money appeared to be more preferable to people than the inconvenience of barter.

As if to compound the monetary problems faced by the Confederacy, prolongation of the war, rising costs, hoarding of specie, and replacement of bank bills in circulation with governmental issuances all combined to drive up prices and force the central authorities to issue even more paper money. The cycle was vicious, for additional paper money furthered the public's mistrust of it. The Confederacy soon found itself in the grip of out-of-control hyperinflation. By March, 1863, the Confederate Congress authorized the printing of \$50,000,000 in Treasury notes per month to meet expenses, with nothing of intrinsic value pledged for the eventual redemption of the bills. If this situation was not corrected, the result would be the early collapse of the monetary system.

Thus more and more people of the Confederacy were reluctantly forced to turn to barter in the East, or commodities and specie in the West, as a substitute for Confederate paper money. Those who could not

do this gave as much paper money as was demanded to obtain the necessities of life. Regardless of the asking price for goods, most people eagerly disposed of their Confederate paper money. It soon became clear to many that too much currency was in circulation for the needs of the nation's economy, thus forcing the central government to act. People were clamoring for removal of excess currency, but the tax levied on it in 1864 by the central authorities shook people's confidence in paper money. A law was enacted canceling all previous paper money issues and seeking to force their redemption for bonds by taxing unconverted notes. Those notes not presented for bonds before the cut-off date could only be exchanged for a new issue of bills at the rate of three dollars old for two dollars new. In this way Confederate officials expected to remove most excess currency from circulation and thus bring down prices. Instead, prices froze for a while and then continued to rise. It would have been far better if the old issues had been allowed to continue to circulate and a tax levied on them to be paid in old issue bills.

The plan failed for several reasons. Many people saw it as repudiation of part of the Confederate debt, for the currency had become synonymous with the debt. If it could be done once, people felt there would be no preventing it from happening again. The Indian nations also disliked the tax because they viewed it as an attempt to make them bear some of the costs of the war, expressly forbidden by terms of the treaties they had ratified. The effect of this was to increase general public mistrust of the government and its currency and to decrease morale further.

In addition, there were other shortcomings of the plan. Only

those bills above the value of five dollars were affected; there was, however, a large quantity outstanding below this denomination. Of all the interest-bearing notes that had been issued, not one was below the face value of fifty dollars, and this may have been of consideration to the Confederate Congress. Additionally, since there were different dates for redemption of the notes east and west of the Mississippi River, some people started a trade buying up unredeemed bills east of the river and shipping them west of it to be redeemed at full value for bonds. Because the new issue was given out in exchange for old issues, a shortage of the new developed and people hung on to the old bills and continued to use them. In acknowledgment of this, the central authorities eventually prolonged the time for redemption, extending it until July, 1865. The public reacted to the time extension by increasing the value of the old notes and devaluing the new, so that they were both at the same level.

The Trans-Mississippi Confederacy had led the way in valuing specie and commodities more than paper money. But the East was locked out of methods for obtaining specie by not having an easy way to reach foreign markets. Only North Carolina accomplished much when it entered the blockade-running business. It may have been because of this that North Carolina did not need to issue state treasury notes in late 1864 or early 1865 like so many of the other states in the East. In the meantime, the Confederate government saw the value of its bills moving lower and lower, even after the passage of the 1864 law for which there had been such high hopes. By December, 1864, it was obvious that this condition had to be remedied. At the time, the new Secretary of the Treasury, George A. Trenholm, decided that the only way to help the dire monetary situation was to drive down the price of gold. In December

Trenholm began to sell gold from the Confederate Treasury on the open market for Treasury notes in an effort to increase the value of Confederate paper money. He successfully decreased the conversion rate, but the result was extremely short lived. He had to return to the gold market place, but the results were always the same: a temporary decline followed by a rapid rise in the price of gold. Soon even Trenholm realized that his attempt had failed to give lasting relief.

By March, 1865, it was clear that Confederate paper money, never made legal tender, would not be accepted by many in payment for needed supplies, even if the supplies were for the army upon which the survival of the nation depended. At this time the central authorities began their scramble for coin. Specie from the banks of New Orleans was appropriated, donations solicited, and the states were required to loan gold and silver to the central government. If the precious metals were not forthcoming by April 1, 1865, a twenty-five percent tax payable only in kind would be levied on all coin and bullion under the control of citizens of the Confederacy. Nowhere can the repudiation of former Confederate monetary policy be seen better than in this action by Confederate officials. Paper money had been king and, until it totally inundated the economy, it had worked. First the public began to shun it and finally, in reaction, so did the central government. Thus barter, commodities, and specie had eventually become the accepted rule among the people of the Confederacy, and in the end the central authorities were forced to this monetary policy also.

The monetary practices of the Confederacy likely helped to undermine Confederate morale. While the people's faith in the central government showed some strengthening during the first two years of the war,

and minor strengthening in later 1864, prices did not decline accordingly. The only time there was a slight decline in prices, and that was but a local phenomenon, came when the new paper money issue was first introduced in early 1864 and its effects on the economy were still uncertain. In early 1865 the value of Confederate Treasury notes reached an all time low, and morale declined accordingly. Thus morale and paper money seemed to go hand-in-hand, with Treasury notes leading the way.

Confederate monetary policy provides an opportunity to study the failure of several monetary theories. One such concept is that governments would not abuse the privilege of issuing paper money by use of printing presses. Even before the printing press was invented, governments abused this right by cutting down on the amount of precious metals in their coins or replacing all of it with base metals. The invention of paper money merely made it easier to accomplish this end. The Confederacy began with every intention of having a limited and orderly paper currency. As Confederate internal and external expenses continued to rise, however, the central authorities were not loath to overprint paper money. Like many other governments past and present, the Confederacy gave little thought as to how a large amount of currency would be retired or absorbed by the economy. Near the collapse of the Confederacy, a five hundred dollar bill was even made for general circulation, the highest denomination ever printed in a non-interest bearing Confederate Treasury note. As prices rose there was need for higher value bills, as has always been the case with inflated economies.

Throughout the history of Confederate monetary policy repeated attempts were made to relegate gold and silver to the status of commodities, with no place in the monetary picture except as bullion. Paper

money was long considered the only official circulating medium in the Confederacy by its central authorities. Confederate officials considered gold and silver as barbaric relics. Later theories expanded on this by declaring that precious metals were of no use as money because the supply could not be expanded to meet the needs of the economy, something with which Confederate officials would have been in accord. Thus Confederate authorities resorted to paper money backed by small quantities of gold and silver which were unavailable to the public. In substance, Confederate officials would have agreed that it is the faith of people in a government that creates money. As in other governments, Confederate authorities believed they could always sell gold to regulate their currency. This was what they did in late 1864 and early 1865, but it did not work, just as their earlier attempt to reduce the volume of outstanding paper money had failed. The citizens were not allowed to obtain specie from banks, but the governments could and did. In 1865, when the Confederacy was in its final hours, the public was allowed to purchase precious metals from the Confederate Treasury at market prices.

During the course of its monetary history, the Confederacy had attempted to establish the supremacy of paper money, tried to relegate specie to a minor role within the country, had flirted with a token coinage system, and attempted to regulate the volume of currency in circulation. In this way, it was among the first governments to put into practice many of the elements germane to what is known as Keynesian monetary economics, name for British economist John Maynard Keynes. The Confederacy, however, never made its paper money legal tender, the only idea not in accord with Keynesian monetary economics.

Nevertheless, Confederate paper money soon established itself as a virtual legal tender. Keynes felt that gold had no place in monetary policy, that paper currency was best because it was elastic and could be expanded or contracted to meet the needs of the economy, and that the faith of the people in the government was the main ingredient in determining what was money and its value. Fiat currency then--money created by the will of the government, backed solely by people's faith in that body, and given the status of being acceptable for all debts through the threat of legal recriminations--was the answer to any monetary problem. Many countries in recent decades have followed Keynesian monetary economic thinking in formulating their monetary policies; the Confederacy followed Keynesian monetary thinking decades before it was espoused by Keynes.

What would have happened to Confederate monetary policy if the Confederacy had achieved independence? It appears reasonable that a coinage system would have been introduced, with coin being legal tender for payment of debts up to a total of ten dollars. Coinage would have been on European rather than United States standards as to weight and fineness. The term "dollar" would have remained, but the weight and fineness of the coins would have been those of either France or Great Britain. This would have facilitated a growing trade with Europe. In the independent Confederate States, taxes would have been rather high to pay off the national debt and retire the paper money that had been printed during the war, and there may have been a further issue of bonds to allow more time to repay all debts owed. Because of the general reluctance by authorities to make Treasury notes legal tender, it is possible that these would have been retired in time. Bank notes

would have been the most likely candidates for paper money in an independent Confederacy, but the central government could have decided on a new issue of notes, again repudiating some of the debt, and making these legal tender.

If Memminger had been the Secretary of the Treasury in an independent Confederate States, some other conclusions can be drawn. The amount of coinage in circulation would have been extremely small, bullion would have been kept in bars as it was in England, and the coinage standards may have conformed to England. Because of Memminger's attachment to Great Britain, it may also be assumed that he may have favored a central bank such as the Bank of England with all paper money coming from the central bank alone. In this way a national paper currency may have been created.

At the end of the war, the resources of the Confederate States were virtually exhausted and the soil depleted. The money to rebuild the independent Confederacy and pay off the war debt would have come from its citizens and from foreign investors, but this would have required the development of new industries. Some manufacturing began in the Confederacy during the war and would likely have continued after the conflict ended. Some foreign investors would have been found, but not if the national debt had been repudiated. If the independent Confederacy could not have attracted investors quickly enough, then the country would have had to liquidate some of its debt, and this action would have frightened many potential investors.

If the Confederate States had established its independence early in the war, its monetary problems would have been simpler. But if that event had not come until late 1864, the problems in attempting to

reestablish monetary order would have been astronomical. It is not impossible to conceive of the new nation carrying its financial burden well into the twentieth century. Like in the United States, some of the total amount of paper money issued during the war may still have been circulating in the 1970s. But independence did not happen, and the entire Confederate debt was repudiated by the Fourteenth Amendment to the United States Constitution.

The lesson of Confederate monetary policy is that fiat currency can work, that gold and silver can be withdrawn from circulation and denied to the citizens, but that both cannot be done indefinitely. As the volume of paper money swells and prices rise, people grow dissatisfied. Eventually some event occurs that helps to undermine public confidence in government and abuses of the money supply serves to magnify this mistrust. Once this has happened, the monetary collapse of the government is only a matter of time. It was not paper money itself that contributed to the Confederacy's fall, but the abuses of it, caused by the length of the war and the accompanying enormity of public expenses. The general population of the Confederacy despaired of the high public debt ever being fully paid with anything of intrinsic value. The idea of repudiation was in the mind of the public from at least 1864 until the collapse of the Confederacy.

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APPENDIX A

CONFEDERATE STOCKS AND BONDS

Stocks of the Confederate States of America are described in this work as a non-coupon interest-bearing bond to avoid confusion. On the surface, this definition is correct, but the differences between Confederate stocks and bonds go beyond this. Depending on the individual's investment strategy and reasons for investing, he could have elected to purchase either the stocks or the bonds. Each had advantages and disadvantages.

The stocks of the Confederate States were a registered security of the central government. The certificates themselves bore the name of the purchaser and, like the stock certificates of modern corporations, had to be endorsed on the back in order to be transferred from one person to another. In addition, the interest on the stocks was paid to some central point in each state and the amount due each person was forwarded by check.

But the bonds were different from this. They were bearer bonds sold unregistered to purchasers and in that way were more readily transferable and less secure. The interest on these was only paid upon presentation of the attached coupons and therefore required that the person travel to some central point in his state. Since the coupons did not carry the bearer's name, they could pass as easily as money until someone finally exchanged them.

Stocks were registered, thus more secure, and the interest was paid to the holder by the issuance of a check. While the bonds were less secure and more easily stolen, they did have the advantage of being readily transferable and were often used in making large purchases; the coupons could also be used like money and the holder did not need to await the arrival of a check. For the most part, banks were the primary purchasers of stocks, but there were some private parties who also bought them. Bonds were the usual investment medium of the general public.*

*Drawn from Grover C. Criswell, Jr., Criswell's Currency Series: Confederate and Southern States Currency ([Iola, Wisconsin]: Krause Publishing Company, 1964), throughout; North Carolinian to Robert Tyler, May 28, 1862, Confederate Officer of the Register, Letters Received, March 20, 1861-June 18, 1862, Confederate Museum, Richmond, Virginia.

APPENDIX B

CONFEDERATE GOLD

Early Specie Receipts

Transferred by Louisiana Convention	\$ 536,787.72
Transferred from New Orleans Mint.....	457,559.48
Transferred from Charlotte Mint.....	26,229.61
Transferred from Dahlonega Mint.....	<u>23,716.01</u>
Total Received	\$1,044,292.82

Cash on Hand--December 4, 1861

At New Orleans	
Gold Coin.....	\$328,600.00
Bullion.....	18,851.91
Silver Coin.....	228,303.00
Bullion.....	21,282.32
Three Cent Pieces.....	<u>6,795.00</u>
Total at New Orleans.....	\$ 603,832.23
At Charleston	
Gold and Silver Coin.....	\$ 59,917.72
Bullion.....	<u>42,648.12</u>
Total at Charleston.....	\$ 102,565.84
At Richmond	
In Gold.....	\$ 16,461.00
Silver.....	<u>13,609.00</u>
Total at Richmond.....	\$ 30,070.00
Total Cash on Hand.....	\$ 736,468.07*

*Drawn from official reports of the mint officers, Confederate Secretary of the Reasury, Letters Received, 1861-1865, Record Group 365, National Archives, Washington, D. C.; Confederate States Treasurer, Miscellaneous Office Records, June 5, 1861-March 8, 1865, ibid.

APPENDIX C

GOLD PRICES IN CONFEDERATE BILLS, JANUARY 1,

1861 TO MAY 12, 1865

<u>Date</u>	Cost of \$1.00 gold in Confederate Bills
1861	
January 1 to May 1.....	\$ 1.05
October 1.....	1.10
October 15.....	1.12
November 15.....	1.15
December 1.....	1.20
1862	
February 1.....	1.25
February 15.....	1.40
March 1.....	1.50
March 15.....	1.65
April 1.....	1.75
April 15.....	1.80
May 1.....	1.90
May 15.....	1.95
June 15.....	2.00
August 1.....	2.20
September 1.....	2.50
1863	
February 1.....	3.00
February 15.....	3.10
March 1.....	3.25
March 15.....	5.00
May 15.....	6.00
June 1.....	6.50
June 15.....	7.50
July 1.....	8.00
July 15.....	10.00
August 15.....	15.00
November 15.....	15.50
December 15.....	21.00

<u>Date</u>	Cost of \$1.00 gold in Confederate Bills
1864	
March 1.....	\$ 26.00
April 1.....	19.00
May 1.....	20.00
August 15.....	21.00
September 15.....	23.00
October 15.....	25.00
November 15.....	28.00
December 1.....	32.00
December 31.....	51.00
1865	
January 1.....	60.00
February 1.....	50.00
April 1.....	70.00
April 15.....	80.00
April 20.....	100.00
April 26.....	200.00
April 30.....	800.00
May 1.....	1,200.00*

*Drawn from John C. Schwab, The Confederate States of America: A Financial and Industrial History of the South during the Civil War (New York: Charles Scribner's Sons, 1901), p. 375.

APPENDIX D

CONFEDERATE FUNDED DEBT, JANUARY 1, 1864

Bonds and Stock

Act of February 28, 1861.....8%.....	\$ 15,000,000
Act of May 16, 1861.....8%.....	8,774,900
Act of August 19, 1861.....8%.....	100,000,000
Act of April 12, 1862.....8%.....	3,612,300
Act of February 20, 1863.....8%.....	95,785,000
Act of February 20, 1863.....7%.....	63,615,750
Act of March 25, 1863.....6%.....	2,831,700
Act of April 30, 1863 (Cotton Interest Coupon).....6%.....	8,252,000
Total of Stocks and Bonds.....	\$297,871,650*

Notes:

"The Call Certificates issued under the Acts of December 24, 1861, and March 23, 1863, respectively, it is deemed proper, on account of their peculiar character, to exclude from a statement showing the funded debt. It is not possible, from the material available to this office [the Confederate Register's Office], to ascertain what amount of them, if any, has assumed the character of permanent bonds, or been so converted."

Call Certificates bore interest, but like their business world counterparts, were designed for easy conversion into another medium such as bonds or, for the most part, Treasury notes.

*Drawn from an official report of the Treasurer's Office, January 22, 1864, Confederate States Treasurer, Miscellaneous Office Records, June 5, 1861-March 8, 1865, Record Group 365, National Archives, Washington, D. C.

APPENDIX E

CONFEDERATE FUNDED DEBT, 1861-1865

<u>Bonds and Stocks by Act of:</u>	<u>Interest</u>	<u>Value</u>
February 28, 1861.....	8%.....	\$ 14,990,000
May 16, 1861.....	8%.....	9,086,600
August 19, 1861.....	8%.....	99,564,250
December 24, 1861 (Call Certificates).....	6%.....	56,490,470
April 12, 1862.....	8%.....	3,222,550
February 20, 1863.....	8%.....	96,580,900
February 20, 1863.....	7%.....	66,941,900
March 23, 1863.....	6%.....	21,018,400
March 23, 1863 (Bonds).....	4%.....	22,300
March 23, 1863 (Call Certificates).....	5%.....	-----
March 23, 1863 (Call Certificates).....	4%.....	-----
April 30, 1863 (Cotton Interest Coupon).....	6%.....	8,372,000
February 17, 1864 (Stocks).....	6%.....	32,040,000
February 17, 1864 (30 year Bonds).....	6%.....	145,755,000
February 17, 1864 (20 year Bonds).....	6%.....	6,000,000
February 17, 1864 (Non-Taxable Certificates)...	6%.....	38,045,000
February 17, 1864 (Registered Bonds).....	4%.....	10,783,900
February 17, 1864 (Call Certificates).....	4%.....	65,500,000
February 17, 1864 (Bonds).....	4%.....	16,263,500
June 13, 1864 (Bonds).....	8%.....	2,164,000
June 14, 1864 (Bonds).....	4%.....	4,000,000
Total Funded Debt.....		\$ 687,868,070*

*Drawn from Raphael P. Thian, Register of the Confederate Debt (Boston: Quarterman Publications, Incorporated, 1972), pp. 179-190.

APPENDIX F

TREASURY NOTES I

Amount of Treasury Notes Issued Under all Acts (Except Act of February 17, 1864) up to and Including April 30, 1864

<u>Act of</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding</u>
March 9, 1861, Interest Bearing			
Notes-\$3.65.....	\$ 2,021,100.00.....	\$ 1,495,150.00.....	\$ 525,950.00
May 15, 1861, Two Years After Date.	17,347,955.00.....	9,172,580.00.....	8,175,375.00
August 19, 1861, General Currency..	291,961,830.00.....	141,034,709.00.....	150,927,121.00
April 17, 1862, Interest Bearing			
Notes-\$7.30.....	122,640,000.00.....	22,658,100.00.....	99,981,900.00
April 17, 1862, \$1 and \$2 Notes....	5,600,000.00.....	1,102,382.00.....	4,497,618.00
October 13, 1862, General Currency.	138,056,000.00.....	-----	-----
October 13, 1862, \$1 and \$2 Notes..	2,344,800.00.....	26,159,960.50.....	114,240,839.50
March 23, 1863, General Currency...	514,032,000.00.....	-----	-----
March 23, 1863, \$1 and \$2 Notes....	3,023,520.00.....	-----	-----
March 23, 1863, 50¢ Notes.....	915,758.50.....	44,737,956.75.....	473,233,321.75
Total.....	\$1,097,942,963.50.....	\$246,360,838.25.....	\$851,582,125.25*

*Drawn from an official report of the Register's Office, April 30, 1864, Confederate Office of the Register, Letters Sent, March 18, 1861-April 1, 1865, Record Group 109, National Archives, Washington, D. C.

APPENDIX G

TREASURY NOTES II

Amount of Treasury Notes Issued Under Act of February 17, 1864, up to
and Including April 30, 1864.

<u>Denominations</u>	<u>Amount</u>
Tens.....	\$13,280,000
Twenties.....	1,936,000
Fifties.....	8,460,000
Hundreds.....	14,400,000
Five Hundreds.....	10,000,000
Total Amount Issued.....	\$48,076,000*

*Drawn from an official report of the Register's Office, April 30, 1864, Confederate Office of the Register, Letters Sent, March 18, 1861-April 1, 1865, Record Group 109, National Archives, Washington, D. C.

APPENDIX H

TREASURY NOTES III

Approximate Value of Notes Issued Under Act of February 17, 1864

<u>Denominations</u>	<u>Value</u>
Fifty Cents.....	\$ 523,606.50
Ones.....	598,400.00
Twos.....	1,644,784.00
Fives.....	27,626,784.00
Tens.....	91,359,200.00
Twenties.....	85,940,080.00
Fifties.....	83,572,200.00
Hundreds.....	89,664,400.00
Five Hundreds.....	75,214,000.00
Total Amount Issued.....	<u>\$456,142,990.50*</u>

Note: The Confederate registers near the end of the war are incomplete. This appendix is only an approximation. The actual amounts issued may have been higher.

*Drawn from Raphael P. Thian, Register of the Confederate Debt (Boston: Quarterman Publications, Incorporated, 1972), p. 178.

APPENDIX I

CONFEDERATE NATIONAL DEBT, 1865

<u>Type of Debt</u>	<u>Amount</u>
Funded Debt.....	\$ 687,868,070.00
Old Issue of Notes, outstanding on April 30, 1864.....	851,582,125.25
New Issue of Notes, as of April, 1865.....	456,142,990.50
Total Debt.....	\$ 1,995,593,185.75*

Note: The figures given above do not include bonds sold overseas, the call certificates issued in 1863 and not converted, cotton certificates, non-interest notes used to pay the interest on the February 28, 1861, loan in 1864, or any old issue Treasury notes redeemed after April 30, 1864. Because of this, the total given is low and represents the minimum. The amount of Treasury notes redeemed after April, 1864, could not have been greater than the other outstanding obligations. The actual national debt of the Confederacy must have been in excess of \$2,000,000,000.

*Drawn from author's calculations.

APPENDIX J

GEORGIA TREASURY NOTES AND CHANGE BILLS,

1861-1865

State Treasury Notes

<u>Dates Issued</u>	<u>Amount of Notes</u>
1862 (April, May, July, August).....	\$ 2,320,000
1863 (January-September).....	5,268,000
1864 (February, April-August).....	8,895,000
March, 1865.....	1,700,000
May, 1865.....	70,000
Total Treasury Notes Issued.....	\$ 18,253,000

State Change Bills

1863 (April-October 15).....	\$ 473,660
October, 1863.....	73,750
November, 1863.....	54,250
1864 (February, April, May, July, August, October).....	809,782
April, 1865.....	15,250
May, 1865.....	36,500
Total State Change Bills Issued.....	\$ 1,463,192
Plus Total Treasury Notes.....	18,253,000
Total Funds Issued by the State of Georgia.....	\$ 19,716,192*

*Drawn from W. C. Mitchell Ledger, 1843-1863, pp. 432, 443, Georgia State Archives, Atlanta, Georgia.

VITA²

James Fredrick Morgan

Candidate for the Degree of

Doctor of Philosophy

Thesis: CONFEDERATE MONETARY POLICY

Major Field: History

Biographical:

Personal Data: Born in Los Angeles, California, May 11, 1945, the son of La Verne E. and Barbara Morgan; moved to Nashville, Tennessee, San Diego, California, La Canada, California, Fullerton, California, Orange, California, and Newport Beach, California.

Education: Attended elementary school in San Diego and La Canada, California; attended high school in Altadena and Fullerton, California; graduated from Sunny Hills High School, Fullerton, California, in 1963; received the Associate of Arts degree from Fullerton College, Fullerton, California, in 1967; received the Bachelor of Arts degree from California State University, Fullerton, California, in 1967; received the Master of Arts degree from California State University, Fullerton, California, in 1974; completed requirements for the Doctor of Philosophy degree from Oklahoma State University in December, 1977.

Professional Experience: Member of the United States Air Force, 1969-1973; numismatic sales clerk, 1974; member of the American Numismatic Association, 1972-present; member of the Canadian Numismatic Association, 1972-present; author of several publications.