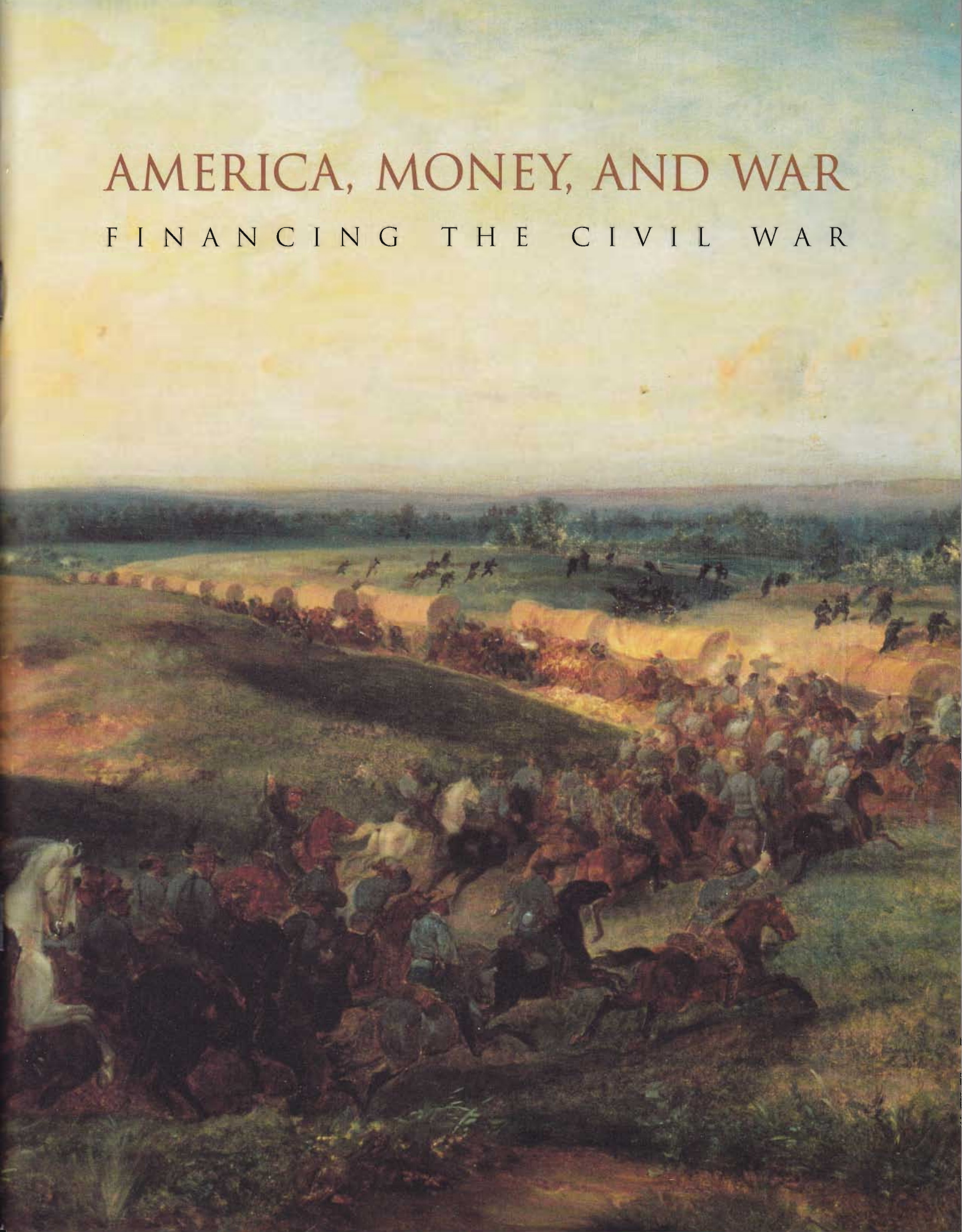
AMERICA, MONEY, AND WAR

FINANCING THE CIVIL WAR



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FINANCING THE CIVIL WAR

MUSEUM OF AMERICAN FINANCIAL HISTORY
26 Broadway, New York, NY 10004-1763

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Mosby and His Men Attacking a Wagon Train Near Berryville, Virgina
Oil painting by Felix Phillipotteaux
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Photography by Katherine Wetzel

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PREFACE

The exhibit described in this catalogue was shown in the gallery of the Museum of American Financial History in New York from the spring of 1993 to early 1994. Douglas B. Ball, a leading authority on Confederate finance, a numismatist by profession who has specialized for many years in the bonds and banknotes of the Confederate States, and the author of *Financial Failure and Confederate Defeat,* is the curator of this exhibit. His intimate knowledge of the subject and its place in the larger history of the nation has added a welcome perspective to the exhibit.

Many of the bonds and portraits in the exhibit come from the growing collection of the Museum of American Financial History. The generous loan of properties from the collections of Douglas B. Ball, R.M. Smythe & Co., Inc., Stephen L. Goldsmith, William Schmidt, Jr., Stack's Rare Coins, and John E. Herzog contributed to the scope of the exhibit. Frances Y. Barbuto prepared the catalogue.

The exhibit brings together all the elements of Civil War financing for the first time, and thus adds a new dimension to the dramatically growing interest in this greatest conflict in American history. Seeing all these documents in one place with explanations as to their use will surprise even the experienced numismatist and knowledgeable historian.

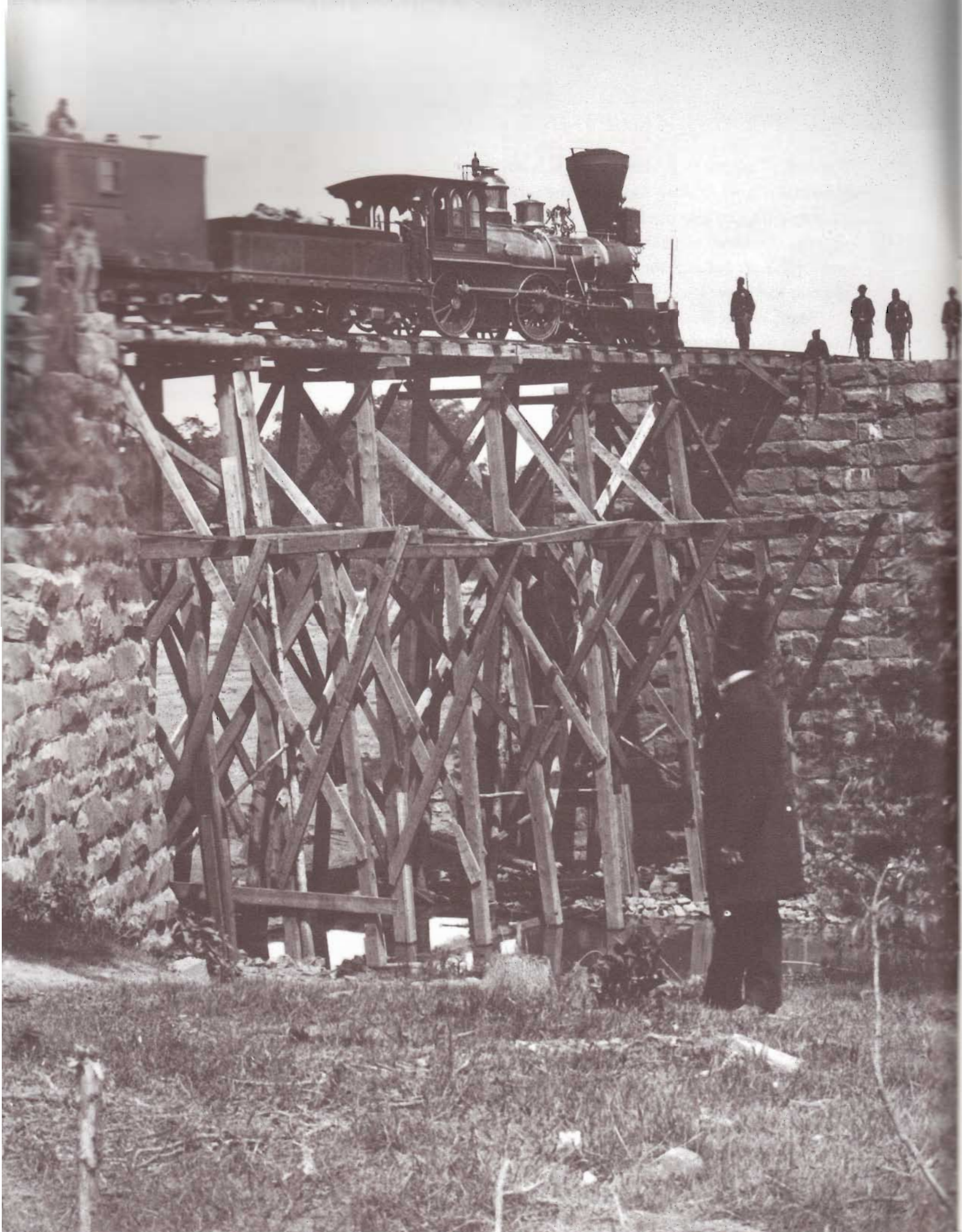
The exhibit as shown at The Museum of the Confederacy adheres to the original format, but has been enhanced for our new audience. Several of the original pieces have been replaced by examples from the Richmond collections. We have also developed background information on the opposing Secretaries of the Treasury. Their actions set the stage for many of the corporate and financial events of the following fifty years. The exhibit places these developments in a modern context.

In this catalogue, the first produced by the Museum of American Financial History, we have incorporated the text cards from the exhibit, illustrations of many but not all of the objects, and the gallery talk by Dr. Ball. There is also a listing of all the objects in the exhibit, and a bibliography. We hope the catalogue will be used by educators as part of the teaching resource material we have available.

Financial history is once again interesting students across the nation, and we hope this exhibit will contribute to a better understanding of this important subject. The American capital markets—for stocks, bonds, and commodities—are the envy of the entire world, and to be sure they continue to develop as fair, liquid, and above board as possible for all is a national goal well worth striving to achieve. We want to do our part.

I want to thank Diane Moore, our Executive Director for her many hours bringing the exhibit into being. Thanks also go to Guy Swanson and Malinda Collier, of the Museum of the Confederacy, for their interest, enthusiasm, and many helpful suggestions, and Robin Reed, the Museum's Executive Director, for his support. I hope that the efforts of all the people who have contributed to this project will be rewarded by the interest and enjoyment of many enthusiastic viewers.

John E. Herzog, Chairman
Museum of American Financial History
New York, August 10, 1994



INTRODUCTION

War is not a question of valor, but a question of money.... It is not regulated by the laws of honor, but by the laws of trade...the practical problem to be solved in crushing the rebellion of despotism against representative government is: who can throw the most projectiles? Who can afford the most iron or lead?

—Roscoe Conkling, Congressman of New York, 1861

For many Americans, before General Beauregard opened fire on Fort Sumter in the early hours of April 12, 1861, the idea that they would take up arms against their countrymen was inconceivable. Yet, over the next four years, three million Americans engaged in a contest that set state against state, neighbor against neighbor, brother against brother. In the end, 638,000 men died in the conflict. The war was the single most decisive event in America's history. It not only preserved the Union, it transformed the United States into a nation.

This milestone has been examined by historians and enthusiasts from many perspectives. Some focus on the military aspect, while others highlight the political power struggle between advocates of states' rights and those who asserted the supremacy of the federal government. Many concentrate on the images captured by photographers such as Mathew Brady, and others on the newspaper accounts by reporters who were at the front lines providing first-hand accounts of the often fearsome fighting. Still others concentrate on the personal perspective revealed by soldiers and civilians, North and South, who produced moving recollections of the conflict through their letters and diaries.

Financing the Civil War looks at the war from another, perhaps more practical perspective. It articulates the financial problems underlying the conflict on the battlefield. The bank notes, bills and bonds issued by the Federal government and the Confederate States illustrate a fundamental, common concern: the need to equip and provision an army, to pay the soldiers' wages. Congressman Conkling was not alone in recognizing the need for adequate financial resources. His concern was echoed by Abraham Lincoln who, when faced with having to meet the Union Army payroll at the beginning of his second term declared: "Give the money machine another crank. We've got to find the money, we cannot allow this war to fail."

ORIGINS OF THE CIVIL WAR

An Era of Growth

The first half of the nineteenth century was a period of unprecedented growth and expansion for America. In 1800, there were just over five million people living in sixteen states and territories. By 1850, the population exceeded twenty-three million. When the Civil War commenced in April 1861, there were more than thirty-one million people living in thirty-three states and territories. Of these, only nine million resided within the boundaries of the Confederate States of America. Of this number, three and one-half million were slaves.

While predominantly a nation of farms, villages, and small towns, urban centers, especially in the north, were burgeoning. Between 1850 and 1860 alone, five million Europeans immigrated to the United States. Many settled in Northern cities. In 1820, one out of fourteen Americans lived in a city. By 1860, it was one in five. In 1850, of the six cities having populations over 100,000, all but New Orleans were located in the North. New York was the most populous with more than half a million people.

Sixty-seven percent of the nation's farms were located in the North. Much of this production was exported and farmers found a ready market supplying both armies.

The North had excellent harbors connected to the interior and to other centers by rail and inland waterways. A significant development earlier in the century was the construction of canals, most notably the Erie Canal in New York which opened in 1825. The steamboat first came into use in 1807, providing reasonably priced transportation both along the seaboard and on inland waterways. However, the appeal of the steamboat was eclipsed by the excitement of the railroads.

The potential of the railroads seemed limitless. In 1850, there were approximately 9,000 miles of track, mostly in the Northeast. By 1860, 30,000 miles of track were laid, most located in the North, and most running between the East and the West. The railroad expanded the boundaries of the nation while it was bringing Americans closer together.

Northern port cities became hubs of an industrial and commercial revolution. In addition to serving as exporting centers for farmers, factories producing a wide range of manufactured goods were built nearby, making it possible to serve larger and more distant markets. The North readily accepted and adapted to changes brought about by industrialization, and grew rapidly. Industrialization raised the standard of living of many northerners, fostering a gradual shift from agriculture to industry while altering the attitudes and perceptions of many northerners, moving them further apart on many issues from their countrymen in the South.

Urban and Rural Landscapes

As the North became increasingly industrial and urban, the South remained agricultural and rural. In 1861, the South was almost completely dependent on cotton, cash crops, and slaves. By 1861, Massachusetts was producing more manufactured goods than were all of the states of the Confederacy combined; New York and Pennsylvania each produced twice as much. The South was importing two-thirds of its manufactured goods from the North or from abroad.

Convinced that theirs was the more civilized and cultured way of life, many southerners were critical of the changes that industrialization had brought to the North. As one southerner put it, "We want no manufactures: we desire no trading, no mechanical or manufacturing classes. As long as we have our rice, sugar, tobacco and cotton, we can command wealth and purchase all we want."

After the American Revolution, the northern states adopted a policy of abolition, immediate or gradual. Many in the North and South assumed that slavery would disappear for lack of a profitable staple crop. Then Eli Whitney invented the cotton gin in 1793 enabling southern slaveholders to use their laborers for growing cotton.

The cotton gin made large-scale cotton production possible, especially of the more easily grown short staple varieties. Increasing production met with a period of rising demand for cotton from England, a lucrative trade for the South. To satisfy the demands of the English market and New England, southern planters concentrated on large-scale cotton farming on plantations owned by a single family. By 1860, they produced about five million bales and Europe, including England, was obtaining ninety percent of its cotton from the American South.

Lucrative profits from the cotton trade made slavery and the southern economy interdependent. Southern planters were committed to an agriculturally-based economy. To assure themselves an adequate labor supply, southern planters encouraged their slaves to marry and raise large families.

Northern mills manufactured cloth from Southern cotton, as shown in this unusual vignette.

Industrial development proceeded rapidly in the North. Oil was needed for the railroads and to replace whale oil for lighting.

As the profitability of cotton production grew, southerners invested more money in land and slaves. Because so much of their land was given over to raising cash crops, southerners were forced to look to midwestern farmers for food products. Investing in manufacturing or labor-saving machinery was not as profitable as buying slaves, which also gave social prestige to the owners. At the time of the Civil War, one in four southern families owned slaves, who made up one-third of the population.

The South's share of national manufacturing declined from 1800 to 1860, while agriculture increased. Industrialization was resisted in the South. Some feared that cotton mills would produce a southern white working class hostile to slavery. The northern states supplied most of the manufactured goods that southerners required and served as a market for their cotton. Merchants, particularly in New York, handled most of the domestic and international cotton trade, earning substantial commissions which many southerners came to resent.

At the time the Confederate States proclaimed themselves an independent nation, they produced all America's cotton, which comprised fully half of the entire nation's exports, but accounted for only six percent of America's cotton manufacturing capacity.

North and South also had different attitudes regarding the role of the federal government. Generally, Southerners advocated states' rights and called for strict limits on the power of the federal government to prevent it from meddling with their "Peculiar Institution." In contrast, northerners welcomed federal aid for public works projects benefitting the North's ever-growing market economy. During the decades leading up to the Civil War, the number of sectional-based disagreements increased, and the level of distrust between the two regions increased. Overall, the North and the South tolerated each other until westward expansion magnified concerns over whether new states would enter the Union as "slave" or "free."

The southern planters were active in state and national politics, and were eager to protect their way of life. Southern senators constituted a very powerful lobby in Congress and were especially anxious about maintaining the political balance of power. The political struggle began in earnest in 1819 when the residents of the Missouri Territory, who had applied for statehood, voted to permit slavery. When the House of Representatives, in which the North held a numerical advantage, passed a bill stating Missouri could be admitted only if slavery was banned, the southern delegation was incensed and insisted that each state had the right to determine whether or not it would permit slavery within its boundaries.

This dilemma was resolved by Henry Clay of Kentucky in 1820. It called for two states to be admitted to the Union at the same time—Missouri as a slave state and Maine as a free state—the Missouri Compromise—an agreement honored for almost thirty years. But this political compromise did nothing to subdue the North's growing resentment and opposition to slavery. Although most northerners did not want to abolish slavery in the South, they were unwilling to permit its expansion into the western territories captured from Mexico.

When California proposed joining the Union as a free state in 1850, southern politicians were once again alarmed. Southern senators, led by John C. Calhoun of South Carolina, opposed the Wilmot Proviso and demanded equal rights for slaveholders in all new territories. Calhoun also called for a northern guarantee to return all runaway slaves. If these conditions could not be met, Calhoun suggested that the North and the South should consider becoming two separate countries. Northerners recoiled at Calhoun's suggestion. Once again, Henry Clay came forward with a resolution which was acceptable to both sections. Under the terms of the Compromise of 1850, California entered the Union as a free state. At the same time, Congress passed the Fugitive Slave Law which required that all states seize and return runaways.

The passage of the Fugitive Slave Law outraged northern antislavery groups. The founding of the abolitionist newspaper, *The Liberator,* by William Lloyd Garrison in 1831 marked an important event in the organization of the antislavery movement in the United States. New England, particularly Boston, served as the unofficial headquarters of the antislavery movement. Although the Abolitionists did not represent the views of the majority of Americans, they were a very vocal minority, and they succeeded in keeping their message before the American public. They organized rallies and parades, held meetings in churches and in public arenas, and formed groups to help slaves escape to northern cities secretly where they were protected. Although the Abolitionists were skillful propagandists, perhaps the most striking and far-reaching antislavery treatise ever produced was *Uncle Tom's Cabin,* by Harriet Beecher Stowe, in 1852. This book did more to arouse antislavery feeling among all classes than all other efforts up to that time.

During the 1850s, other western territories were preparing for statehood. Some slave owners had settled in Kansas Territory, under the terms of the Missouri Compromise. In his desire to become President, Senator Stephen A. Douglas of Illinois attempted to please both sides with his doctrine of "squatter sovereignty." Congress agreed with Douglas and passed the Kansas-

Nebraska Act in 1854, allowing the inhabitants of each territory to decide whether to permit slavery or not. Advocates and opponents of slavery soon moved into Kansas to influence the vote on slavery. Armed confrontations erupted, leading to the deaths of more than 200 men. "Bleeding Kansas" was just a hint of things to come.

Leaders—North and South

As leaders of two nations at war, the decisions of Abraham Lincoln and Jefferson Davis affected the lives of millions and determined the course of the war. Financial considerations were a paramount concern for both governments, and the men chosen as Secretaries of the Treasury, Salmon P. Chase in the North and Christopher G. Memminger in the South, played crucial parts in the management and outcome of the war. These brief biographical sketches provide some insight into these four men who occupied pivotal positions during a time of national crisis.

The Northern Leaders

Abraham Lincoln was born near Hodgenville, Kentucky on February 12, 1809. Lincoln's father was a farmer and carpenter. In 1816, when Lincoln was seven, the family moved from Kentucky to Indiana; four years later they moved to Illinois.

In 1832, Lincoln ran unsuccessfully for the Illinois State Legislature. Following this political defeat, Lincoln embarked on a career as a local merchant and surveyor. In 1834, he was elected to the Illinois House of Representatives. It was during this time that Lincoln decided to study law. He studied for three years and was admitted to practice on March 1, 1837.

Abraham Lincoln (1809–1865)

Lincoln worked tirelessly to develop one of the busiest law firms in Springfield. He won reelection to the legislature in 1838 and again in 1840. He was appointed to the Whig party's State Central Committee.

During this time Lincoln also married Mary Todd. His career flourished, and he opened his own law office. In 1846, he was elected to Congress.

The major issues during his term in Congress were the spread of slavery beyond the South and the Mexican War, which began in 1846. Lincoln criticized the conduct of the war from the beginning, and he supported a bill to prohibit slavery in any of the lands taken from Mexico during the war. He also proposed a bill to abolish slavery in the District of Columbia.

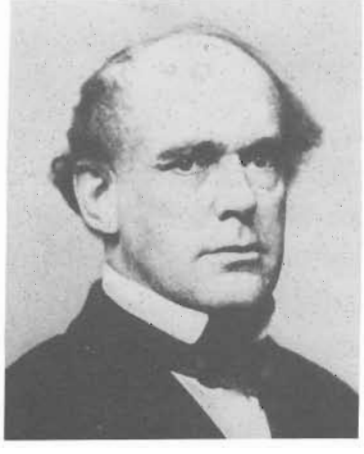
Lincoln soon became disillusioned with politics, and he returned to Springfield to resume his legal profession. Following the passage of the Kansas-Nebraska Act, Lincoln re-entered politics. He believed this act would allow slavery to spread and become permanently established. He curtailed his law practice and began to travel across Illinois campaigning against slavery.

In 1858, he won the Republican nomination for the Senate, but lost the election. It was during this campaign that Lincoln debated Stephen A. Douglas. In 1860, he received the Republican nomination for the Presidency and was elected. Six weeks later South Carolina seceded from the Union, and within five months the Civil War had begun.

Lincoln faced terrible problems as he tried to hold the Union together, but he quickly proved that he was more than equal to the task. Despite growing unpopularity and many military and economic setbacks, Lincoln was elected to a second term as President in 1864. On April 14, 1865, he was assassinated, five days after Robert E. Lee surrendered to Ulysses S. Grant at Appomattox. Today, Lincoln is considered by many to be the greatest American president because of his efforts to free the slaves and to preserve the Union.

Salmon P. Chase was born in Cornish, New Hampshire on January 13, 1808. His father was a farmer who had held various state and local offices and was a supporter of the Federalists.

While Chase was a child, the family moved to Keene, New Hampshire. When Chase was nine, his father died, and the boy was placed under the guidance of his uncle, Philander Chase, a bishop and leader in the Protestant Episcopal Church. After graduating from Dartmouth in 1826 he spent several years working as a teacher at a boys school in Washington, D.C. He studied law and was admitted to the Bar in December of 1829.



Salmon P. Chase (1808–1873)

The following year Chase settled in Cincinnati where his legal work brought him into contact with the antislavery movement. Despite strong public opposition, he defended escaped slaves. He so strongly supported this idea, that he became known as the "attorney-general for runaways." Chase actually brought cases of runaways to the Supreme Court, and although he was not successful, these cases brought him into the political limelight.

In politics, Chase subordinated party interest to the central issue of slavery. He joined the Liberty Party in 1840 and was soon a party leader. Involved in the Free Soil movement, he was elected to the Senate in 1849, where he worked to restrict the spread of slavery.

In 1855, Chase cast his lot with the Republicans. At the new party's first state convention Chase was nominated as Governor of Ohio. He won and was reelected in 1857. He returned to the Senate in 1860, but soon resigned to become Lincoln's Secretary of the Treasury, an office he held from March 1861 to July 1864. As head of the Treasury it was Chase's responsibility to borrow money from reluctant bankers and investors, to work with Congress on financial legislation, and most importantly to issue vast quantities of greenbacks and market huge loans to finance the war.

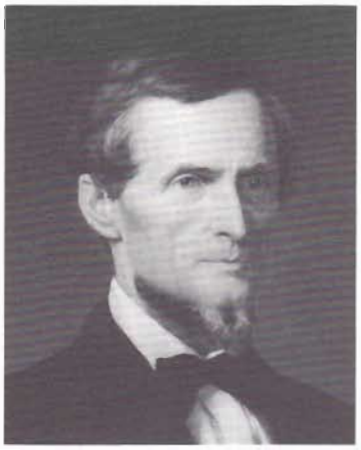
As the war progressed, Chase became increasingly dissatisfied with the decisions being made by the Lincoln cabinet and by the President himself. He felt that Lincoln was ineffective and held too loose a reign on the progress of the war. Although there was a movement to put Chase forward as a Presidential candidate in 1864, Chase never supported this idea and he continued to serve Lincoln as Secretary of the Treasury.

In 1864, Lincoln appointed Chase to the Supreme Court. Chase's years on the Court were occupied with the Reconstruction. Until his death in 1873, Chase continued to serve his country well in healing the wounds of the war.

Their Southern Counterparts

Jefferson Davis was born on June 3, 1809, in Christian County, Kentucky, the tenth child of Samuel and June Cook Davis. Samuel Davis was a troop commander during the Revolutionary War. When Davis was a young child, the family moved to a small plantation near Woodville, Mississippi.

In 1824, Davis entered West Point. He graduated in 1828 as a second lieutenant and spent his early military career in Wisconsin where he saw action in the Black Hawk Indian War. Following this brief military service, he returned to Mississippi, spending the next ten years as a planter. During this time, his wife died from malaria. In 1845, he remarried and was elected to Congress.



Jefferson Davis (1808–1889)

Northern abolitionists had begun their crusade against slavery. Davis was appalled at the suggestion of change in the southern way of life he valued so highly. He countered the abolitionist arguments by advocating state's rights.

Following the outbreak of the Mexican War, Davis resigned from Congress and accepted a commission as the commander of a volunteer corps known as the "Mississippi Rifles." He participated in the attack on Monterey and in the Battle of Buena Vista. Davis left the military in 1847 to return to the Senate, representing Mississippi for one term and continuing to oppose the abolitionists. Davis resumed his life as a planter after his term expired, but he re-entered politics in March 1853 as Secretary of War under Franklin Pierce. One of the most productive periods in his career, he used his influence to preserve the southern way of life and was active in the negotiations that resulted in the Kansas-Nebraska Act in 1854.

In 1857, Davis ended his term as Secretary of War and returned to the Senate. When Lincoln was elected in 1860, he was on record opposing the creation of any more new slave states. Mississippi, therefore, seceded from the Union and Davis resigned from the Senate. Following secession, Davis was appointed major general of the state troops of Mississippi, and on February 18, 1861, he became President of the Confederacy.

Davis immediately faced an impossible task. The South was not prepared for war, and Davis had little interaction with other Confederate political or military leaders. As the war progressed, the financial problems of the South also grew. Eventually, Davis lost much of his support. Shortly after the Confederate surrender at Appomattox, Davis tried to leave the country; he was captured and sent to prison for two years. The remainder of his years were spent in Mississippi at Beauvoir, where he wrote his memoirs. He died in New Orleans in 1889, and is now buried in Hollywood Cemetery in Richmond.

Christopher Memminger was born in Württenburg, Germany in 1803. Soon after he was born, his father, an army officer, was killed. Memminger's mother took her son to America and settled in Charleston. Four years later, his mother died and he was placed in an orphanage.

At the age of eleven, he entered the home of Thomas Bennett, who later became Governor of South Carolina. After a year, Memminger enrolled at South Carolina College; following graduation in 1819, he returned to Charleston to begin work as a lawyer. In 1836, he became a member of the State House of Representatives and served as Finance Committee chairman. He disassociated the state from banking corporations and forced the banks to maintain specie payments rather than face forfeiture of their charters. This helped to establish his reputation as a sound financier.

Christopher G. Memminger (1803–1888)

In 1855, Memminger became Commissioner of Schools in Charleston. He also served on the board of South Carolina College. Memminger was convinced of the righteousness of slavery and he aligned himself with the conservative Democrats of South Carolina.

He was a delegate to the Provisional Congress of the Confederacy in Montgomery and served as chairman of the committee that drafted the provisional constitution of the Confederate States. Memminger was appointed Secretary of the Treasury by Jefferson Davis. In this new position, he was faced with the most difficult task in his career—financing the cost of the southern war effort. He tried various approaches to deal with the financial crisis faced by the Confederacy. Military reverses and the success of the Union blockade led to rampant inflation, while government war expenses rose quickly. Unable to persuade the Congress to enact a tax program, Memminger printed more and more paper currency to finance the war effort. Eventually, the Confederacy's credit collapsed, and Memminger was held responsible.

On June 15, 1864, Memminger resigned his position as Secretary of the Treasury and returned to his summer home in Flat Rock, North Carolina. He remained there until after the war. In 1867, he received a Presidential pardon and returned to Charleston to once again practice law. During the post war years he did good work to improve public schools for both races.

THE WAR BEGINS

Secession and a New Government

On December 20, 1860, six weeks after the election of Abraham Lincoln, delegates from South Carolina attending a special convention in Charleston voted to secede from the Union. During the next several weeks, after other similar conventions, eleven states had seceded. On February 4, 1861, delegates from the first seven states to sever their ties with the Union met at Montgomery to attend the Provisional Congress of the Confederacy. During the course of this gathering, members of the Congress drew up a constitution for the Confederate States of America and elected Jefferson Davis President, and Alexander H. Stephens Vice President. Davis then set about the business of organizing a government to wage war.

From the beginning of the hostilities, the North enjoyed a number of advantages because it had a significant range of resources to commit to the war. The North mustered a larger fighting force—2,213,000 men compared to 900,000 for the South. The North had greater, more advanced industrial capacity including diversified industry and manufacturing capabilities, and a large industrial workforce—1,300,000 compared to 110,000 for the South. It also had a substantial financial base.

The northern rail system, which included 22,000 miles of track linked in a coherent system, provided efficient transportation for both freight and passengers. The southern rail system, primarily designed to support export trade, included only 9,000 miles of track which was not of uniform gauge and which was short of rolling stock. The North was in a better position to feed both its civilian and military populations. Within the states that remained loyal to the Union, 105,000,000 acres of land were under cultivation compared to 57,000,000 acres in the South, much of which was given over to cash crops. Finally, when the war broke out, the North had an established navy which it used effectively to blockade southern ports, severely restricting the economy of the import-dependent Confederacy.

On the other hand, the South had much better trained soldiers and officers. Almost one-third of the officers in the regular United States Army resigned to join the Confederate Army. The Union Army was severely hampered by the actions of incompetent generals during the first years of the fighting. State militia in the South were under alert from the time of secession and were quickly called to arms, so that by the summer of 1861, the Confederacy had almost two-thirds as many men under arms as did the Union.

Despite apparent handicaps during the first two years of the war, many observers felt the South held the upper hand. The southern population was energetically united behind its civil and military leaders. In the North, there was a large pro-southern contingent known as Copperheads, and many northerners favored a negotiated peace to end the hostilities.

The Union Army suffered a number of military defeats during the first years of fighting. Morale was low both at the battlefront and at home. In Washington, Lincoln and his government faced a delicate international situation, since it appeared for a time that the Confederacy might win diplomatic recognition by France and Great Britain. The prestige and potential material advantage that would accompany such recognition could have proven fatal to the Union cause. In the end however, the Confederacy did not obtain the diplomatic recognition it sought. By 1863, the tide seemed to be turning in the North's favor. The northern victory at Gettysburg was a major blow and was followed by Grant's capture of Vicksburg and Port Hudson. Nevertheless, fighting continued for almost two more years.

Large sums of money were needed to finance the conflict. No matter what plans or programs the Union and Confederate governments formulated, they each needed the money to purchase equipment and ammunition, run factories and farms, and pay the soldiers. Neither Lincoln nor Davis had any significant experience in the area of public finance, and each had to rely on his Secretary of the Treasury to develop and implement policies that would support the war effort.

The Union raised two-thirds of the money it needed through loans. Another twenty-one percent was obtained through increasing tariffs and taxes on several occasions and collecting a three percent tax on personal incomes over $800. Loans accounted for less than two-fifths of the Confederacy's war finances. It received only five or six percent of its income from taxation. While the Confederate government understood the potential benefits of taxation, it was reluctant to put forward tax proposals until 1863 when rampant inflation forced it to devise a scheme which included a graduated income tax and a tax in kind, as well as a variety of excise taxes. For the most part, the South financed the war through the issuance of currency.

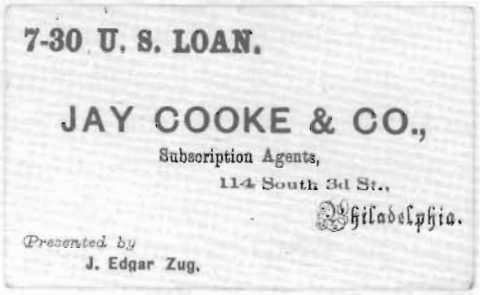
Departure of the 7th Regiment New York State Militia, Friday, April 19, 1861. View of Broadway and Cortlandt Street.

Chase and the Northern Strategy

In the end, the northern economy was better able to adapt to the demands of war, but this was not always evident at the time. Many people lost confidence in the federal government after the southern states seceded, and banks were hesitant to purchase government bonds and treasury notes. In 1861, three-quarters of the federal government's funds came from the sale of short-term treasury notes. If the government could not sell new bonds, it would soon be unable to finance the war.

By the end of 1861, the government's war-related expenditures were ten times greater than the income collected from customs duties and the sale of public lands combined. The unprecedented hoarding of gold and silver forced the Treasury to suspend redemption of treasury notes in specie. The public showed little interest in purchasing long-term bonds, and the Lincoln administration was reluctant to risk further alienation of the electorate by imposing substantial taxes.

A larger demonination "five-twenty" bond, for banks and institutions.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Investment banker Jay Cooke organized and directed the first bond drive, with low denomination bonds for the man in the street.

Although Chase had little prior financial experience, he was fortunate during the early months of the war in having access to the knowledge and assistance of Jay Cooke, the head of a Philadelphia investment banking firm. At first, Chase kept the Union solvent with the help of short-term bank loans at a rate of 7.30 percent. Cooke, who was well-connected in financial circles, persuaded some of his associates to purchase long-term government bonds at six percent.

Chase soon realized that he could not rely on the banks to furnish all the funds required for war. Cooke then proposed selling government bonds in denominations as low as ten dollars to ordinary citizens. To encourage purchases, payment could be made in a number of monthly installments. Cooke organized the first large-scale war-bond drive by using patriotic advertising to convince individual Americans to purchase government securities. Agents were dispatched throughout the states to sell bonds, and Cooke paid all expenses for the agents and for the advertising. Due in part to Cooke's efforts, $400,000,000 worth of "five-twenties" which were six percent bonds redeemable in not less than five and not more than twenty years were sold; in addition, almost $800,000,000 worth of three year "seven-thirties" were sold.

The issuance of paper money was important in financing the war effort for both the North and the South. The Federal government issued five kinds of paper currency during the Civil War: Demand Notes, Compound Interest Treasury Notes, Interest Bearing Notes, Legal Tender Notes, and National Bank Notes.

DEMAND NOTES On July 17, 1861, Congress passed an act authorizing the issue of $60,000,000 worth of Demand Notes, so called because of the legend on the note which declared, in part, "The United States promise to pay the bearer...dollars on demand...." Demand Notes were made legal tender under the Legal Tender Act of March 17, 1862, which meant that they had to be accepted whenever offered for payment. They were declared equal to coin, and were the only notes receivable for customs dues. Soon they were hoarded.

By October 1861 in addition to the Demand Notes, there were $33,500,000 in Treasury Notes and $130,000,000 in state bank notes in circulation within the states that remained loyal to the Union. There was also between $100,000,000 and $125,000,000 of coinage in circulation. Currency was still being redeemed in coin and demand for redemption was so high that by December 1861 banks suspended specie payment. Soon after, the Treasury also suspended specie payments.

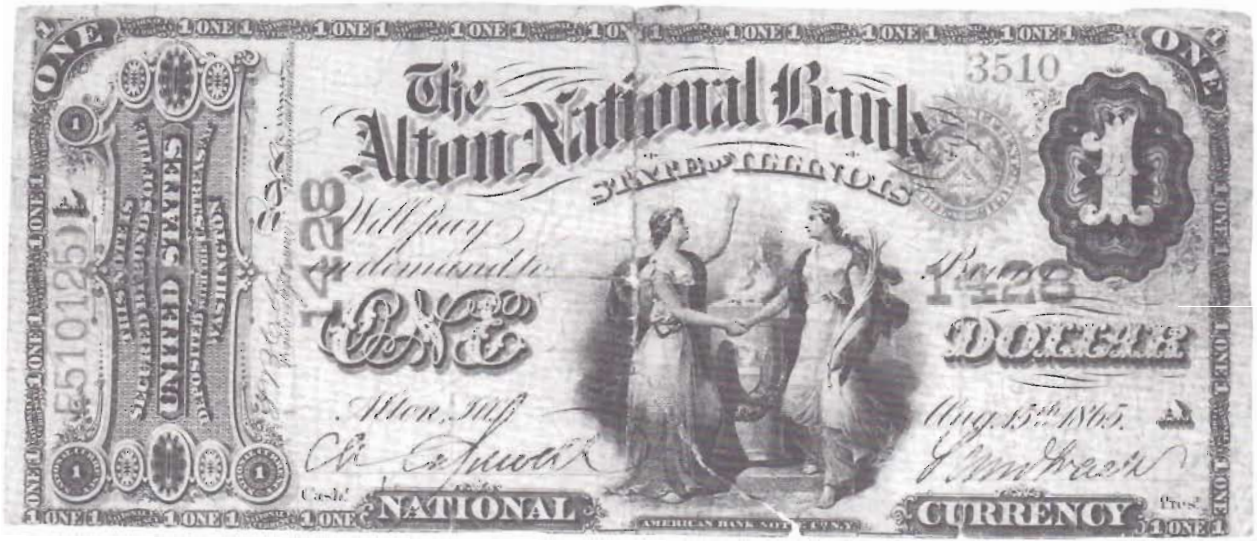
COMPOUND INTEREST TREASURY NOTES These notes were issued between 1863 and 1865 and appeared in denominations of $10, $20, $50, $100, $500, and $1,000. A six percent interest feature was included to allow the Treasury to raise money by providing the public with a premium for accepting the notes. Compound Interest Treasury Notes were legal tender, and they appeared in $10, $20, $50, $100, $500, and $1,000 denominations. The reverse side of each note included a table indicating the interest and redemption value of the note at six-month intervals. The interest could be collected only by redeeming the notes. There were two issues of compound interest notes under the Acts of March 3, 1863, and June 30, 1864. Each issue covered a three-year period. These notes were held as investments, and seldom circulated.

INTEREST BEARING NOTES There were several issues of Interest Bearing Notes. The first was authorized under the Act of July 17, 1861, and was issued in denominations of $50, $100, $500, $1,000, and $5,000 which were redeemable in three years. These notes carried an interest rate of 7 3/10 percent per annum. One and two year Interest Bearing Notes were authorized under the Act of March 3, 1863, bearing five percent. Additional issues of three year notes were authorized under Acts of June 30, 1864, and March 3, 1865. Interest Bearing Notes had five detachable coupons for collecting interest at six-month intervals. The sixth and final interest payment was made upon redemption of the note for payment.

LEGAL TENDER NOTES On February 25, 1862, Congress passed the Legal Tender Act which authorized the issuance of $150,000,000 in Legal Tender or United States Notes. Like Demand Notes, this currency had no specie backing but had to be accepted for payment by law. The first notes were issued on March 10, 1862, in $5, $10, $20, $50, $100, $500, and $1,000 denominations and were exchangeable for United States six percent twenty-year bonds which were redeemable after five years. The second issue of Legal Tender Notes was dated August 1, 1862. It was limited to $1 and $2 denominations. The third issue which included $5, $10, $20, $50, $100, $500 and $1,000 denominations was dated March 10, 1863. All these notes had green backs, hence the name "greenbacks" given to the entire series.

None of these currency issues was completely satisfactory. Chase, and many others realized that what was needed was a national banking system which was authorized to issue notes secured by government bonds. This national banking system would create a stable and balanced money and credit system freeing the currency from direct specie requirements, creating a market for government bonds, and introducing new money into the economy.

The National Banking Acts of 1863 and 1864 brought United States banking activities under the jurisdiction of the Federal government for the first time. They established a system of national banks under the supervision of the Comptroller of the Currency. These laws authorized the granting of Federal charters to those banks which met certain standards. For example, federally-chartered banks were required to purchase United States bonds in an amount equal to one-third of their capital. These banks were authorized to issue bank notes as long as ninety percent of the value of the note issue was backed by government bonds. Although these notes were issued by individual banks and bore the names of the banks and the signatures of their officers, the notes were considered United States currency and were to be accepted at par.



An early National Banknote from Alton, Illinois.

In a further effort to control the currency in 1864, Congress prohibited the issuance of private coins. The following year, on March 3, 1865, Congress levied a ten percent tax on all state bank notes, effective July 1, 1866, in an effort to make the circulation of such notes unprofitable and to encourage state banks to take out national bank charters. As a result of this legislation, most of the banking industry eventually became subject to federal regulation.

By July 1862, nearly all the gold, silver, and copper coinage in circulation had disappeared. Individual citizens hoarded coins because they were worth more in paper than their face value. Soon there was nothing between the cent and the five dollar bill. Merchants began to refuse to give change in coins for purchases paid for with paper money. In some states paper money was cut in half or in quarters to make change. In other states, banks issued notes in odd denominations such as $1.25 or $1.75. Although state laws prohibited the issuance of notes under $5, some banks issued it anyway.

Private fractional currency issue soon appeared, known as "shinplasters." Sales of United States postage stamps increased five-fold as people began using stamps as currency. Eventually, Congress passed a law authorizing the use of United States postage stamps as small change. This law also prohibited the distribution of private fractional currency.

Soon, postage stamps used as currency were encased in brass and mica disks to make them more durable. Encased stamps were issued in eight denominations, but after only a few months the Post Office refused to supply additional stamps to be used as currency.

Three varieties of fractional currency.

Between August 21, 1862, and May 27, 1863, United States Fractional Currency was made available to the public. The first issue of this currency was known as "Postage Currency" because reproductions of current postage stamps appeared on the face of the notes. The notes also had perforated edges similar to those on postage stamps. This "Postage Currency" was issued in denominations of 5, 10, 25, and 50 cents. The second issue of fractional currency between October 10, 1863, and February 23, 1867, used a portrait of George Washington on all denominations—5, 10, 25, and 50 cents. The third issue between December 5, 1864, and August 16, 1869, introduced the three cent denomination. Each denomination in this issue featured a different design.

By early 1863, the "Postage Currency" issued by the government had effectively replaced privately issued fractional currency and postage stamps. However, the one cent coin had not been replaced and those still in circulation became scarce as citizens began hoarding or melting the coins down because they contained nickel. Merchants soon began striking private coins known as "copperheads" to take the place of the cent coin. Today, these coins are known as Civil War Tokens. They were generally made of copper and were of three varieties: "storecard" coins featured the name and address of the store on one side and an advertisement on the other; "Patriotic" coins featured a patriotic slogan of a famous American on one side, and an advertisement on the other; a third design featured patriotic designs on both sides.

After a brief setback during the early months of the conflict, the northern economy soon rallied. Iron and coal production increased. Industries, particularly those directly related to the war effort, such as firearms production, expanded rapidly. Farm production increased to such a degree that exports of a number of agricultural products such as wheat, pork and beef actually increased. Traffic on the railroads, and on inland waterways and canals increased. This economic growth was due to a number of factors including increasing reliance on mechanization, particularly in the agricultural sector.

Memminger and the Southern Strategy

Like their counterparts in the North, the leaders of the Confederacy recognized the need to secure adequate funding to prosecute the war. They were aware of the need to establish a sound currency and to maintain a balance between hard money and paper money. They realized that the individual states could not be expected to supply all the money that would be needed, and that what was required was the development of an independent revenue system including foreign and domestic loans, and new taxes. As in the North, however, monetary problems often frustrated the Confederacy in its attempts to successfully prosecute the war.

Within days of Louisiana's secession in January 1861, state forces seized the United States Mint at New Orleans and gave some mint coins to the Confederacy. After New Orleans fell in April 1862, Confederate forces seized the coin removed by Louisiana bankers on behalf of the Confederate Treasury.

Individual states supported the Confederacy by paying for war expenses out of their own treasuries. In addition, churches, corporations, and private individuals donated money, food and clothing for the army. These donations continued throughout the war and increased especially during the final months of the conflict.

Jefferson Davis and a view of Richmond grace this Confederate bond of 1863.

On February 28, 1861, the Provisional Congress of the Confederate States of America authorized the first Confederate loan which became known as the "Fifteen-Million Loan." Under its terms, Treasury Secretary Memminger was authorized to issue fifteen million dollars worth of bonds bearing eight percent interest, payable in ten years and redeemable in five years at the discretion of the government by giving three months public notice.

After August 1, 1861, a duty of ⅛ of one cent per pound was levied on cotton, payable in specie or in interest coupons of this loan. The proceeds of the tax were pledged to the payment of the interest and the principal of the bond issue. The tax was to expire when the bonds were cancelled.

Commissioners were appointed in each of the states to stimulate sales of the Fifteen Million Loan. Bond drives opened in large cities and were especially popular in New Orleans and Charleston where over $5,000,000 was subscribed on the first day. Overall, the loan was a success, and almost the entire amount was subscribed by November 1861. The bonds were quoted at par, in currency, until mid 1862. They rose to 200 and then ranged between 125 and 200 until January 1865.

As early as April 1861, the suggestion had been put forth to create a central banking system through a Confederate National Bank which would be capitalized at $14,000,000, with

$1,000,000 to come from each of the seven original Confederate states and the remaining $7,000,000 to be raised by selling shares to the public at a price of $100 each. It was hoped that this national bank would eventually support the circulation of between twenty-five and forty million dollars worth of notes. A branch of the bank would be established in each state. This idea was not well-received, and a Confederate National Bank was never established.

In May 1861, in a report to the Confederate Congress, Memminger recommended relying on loans and direct taxes as the Confederacy's chief sources of income, using the tax collection structure already in place on the state level. Except for customs duties however, direct taxation was seldom enacted during the war. Instead, the Southern Treasury relied most heavily on printing more and more money.

Part of the $50,000,000 small denomination Treasury Note issue of 1862.

At this same time, Memminger also recommended a $50,000,000, eight percent bond issue and the issuance of three-year treasury notes in small denominations—$5 and $10—which would be interest bearing and would serve as a circulating medium. The Confederate Congress authorized both the bond issue and the issuance of small denomination notes. Many planters turned over food products and cotton in payment for the bonds they bought.

The leaders of the Confederacy believed that the cotton crop would help them obtain the money and supplies they needed to win the war, as English mills were dependent on southern cotton. Many southern politicians hoped to gain diplomatic recognition by England and other European powers, which would make it possible to obtain funding and materials. One great disappointment was that diplomatic recognition never occurred.

Southern leaders realized that the cotton crop was the Confederacy's most valuable asset and tried to exchange it for money and supplies, but their hopes of establishing a lucrative export trade were thwarted by the northern naval blockade. Thousands of bales of cotton accumulated on the wharves of cities like New Orleans, and much of it was eventually burned to prevent it falling into the hands of northern invaders. Not until 1863 did the government organize blockade running to procure military supplies.

The Executive Office Building of the Confederate States in Richmond on a $1,000 bond, with interest coupons attached.

One creative way the Confederate Treasury attempted to use the cotton crop was as collateral for securing a foreign bond issue. In 1862, John Slidell, the Confederate Commissioner to France, negotiated an agreement with Emile Erlanger and Co., a Parisian banking house, to manage the sale of a £3,000,000 ($14,550,000) Confederate bond issue secured by cotton. This agreement became known as the Erlanger Loan, but was really nothing more than high-risk speculation. According to the terms of the loan, twenty-year seven percent bonds were to be converted into cotton below market prices. The Confederate government hoped that the chance of lucrative profits would lure European investors and restore the South's credit rating abroad.

At the time the loan negotiations began in 1862, the South appeared to have the upper hand militarily. The price of cotton in Europe had risen to fifty cents per pound due to the shortage produced by the northern blockade. At the same time, prices on the southern cotton market had fallen to twelve cents per pound. The Confederate Treasury hoped to stockpile cotton at the depreciated price and then use it to redeem the Erlanger notes no later than six months after a peace accord was reached.

Erlanger proposed to pay £77 for every £100 bond the Confederacy offered, and then to offer the bonds to the public at £90. When the bonds went on sale in March 1863 they were soon oversubscribed, but within a few weeks the price of the cotton bonds began to fall. Trading of the bonds was curtailed, although it did not stop completely. By February 1865, five-sixths of the bonds had been sold, and the Confederacy realized about $8,000,000. This money helped the South to acquire materials, but it was not enough.

As the war went on, inflation became a serious problem. The more prices increased, the less the available currency could purchase, so more money was printed. Soon the printers could not keep up with the demand. For a time, the Treasury attempted to reduce the number of notes in circulation by making them convertible into long-term bonds and certificates, but the public was unwilling to exchange their currency for an investment they believed would become worthless.

Confederate currency depreciated steadily. In 1862, a legal tender bill was defeated. Two years later the government called in all notes over five dollars in denomination to be converted into bonds payable in twenty years. In addition a 33⅓ percent tax was levied on $100 notes. These currency control measures were also unsuccessful and the value of the currency continued to decline. By the end of the War, the Confederacy had printed almost a billion and a half dollars to finance the war effort. In May 1865, when President Jefferson Davis was captured, the remaining Confederate funds amounted to $85,000 in gold, $36,000 in silver, $35,000 in silver coin, all seized from Richmond banks, and $700,000 in Confederate currency.

There were four issues of Confederate currency in 1861. The first issue, which was authorized by an Act of March 9, 1861, totaled $1,000,000 and was made up of $50, $100, $500, and $1,000 notes. These notes, known as the Montgomery 1861 Issue, were printed by the National Bank Note Company of New York and smuggled through the blockade since at the beginning of the war, the Confederacy did not have the engravers, materials or presses to prepare its own currency.

The second issue of 1861 was printed in New Orleans by the American Bank Note Company and was composed of notes of $50 and $100 denominations. The third issue of that year was authorized by an Act of May 16 and was composed of denominations of $5, $10, $20, $50, and $100 notes. The final Confederate currency issue of 1861 was for $150,000,000; authorized by the Acts of August 19 and December 24, it was composed of $2, $5, $10, $20, $50, and $100 notes. These last were printed in Richmond and Columbia by several new firms.

There were two Confederate currency issues in 1862, The first authorized by an Act of April 17, 1862, totaled $165,000,000 and was comprised of $100 notes that yielded two cents per day from the date of issue. The second issue of 1862 was for $10,000,000 worth of $1 and $2 notes.

There was also an issue of $140 million of notes dated December 2, 1862. These had all new designs to restore confidence after a wave of counterfeit bills were circulated in the summer of 1862.

The single currency issue for 1863 totaled $515,000,000 and was authorized by an Act of March 23, and dated April 16, 1863. The last issue of Confederate currency was authorized on February 17, 1864. As much as $500,000,000 may have been printed.

Private citizens, cities, towns and states in the South issued small denomination notes just as their northern opposites did. This currency was of poor quality and was easily counterfeited, contributing to the uncontrollable inflation. In addition, only four Confederate half-dollar coins were struck. Because of sabotage at the mint, no more were made.

The war ravaged the southern economy. Livestock was killed, farms and plantations were overrun and reduced to ruin, and the industries that had begun to develop to support the war effort were destroyed. Southern productivity had been based on a system of slave labor which no longer existed. For the rest of the century, income and productivity levels in the South lagged well behind those in the rest of the nation. As the South faced the daunting problem of reconstruction and rebuilding its shattered land, the North looked forward to what promised to be a prosperous future.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FINANCING THE CIVIL WAR

By Dr. Douglas B. Ball

Welcome to a walking tour through the gallery of the Museum of American Financial History. The following is a transcription of Dr. Ball's talk in July, 1993. The visitors asked some astute questions of Dr. Ball as he walked them through the Civil War exhibit.

Dr. Ball: To start off, this is an exhibit which shows the nation's financial changes and progress during the Civil War. It shows what the situation was at the beginning of the war, and what had happened by the end of the war. During this period, the Union proceeded to innovate, and in effect, laid the foundation for a modern United States economy by 1865. The Confederates, devoted to business as usual, and particularly opposed to paying any taxes or otherwise going out of their way to preserve $3.5 billion of slave property, got a sound drubbing due in part to monumental incompetence in the financial area.

Looking at things before the war started, you see here some of the notes issued by the Bank of North America, the oldest bank in the United States, which was swallowed up by Insurance Company of North America. There is also a note of the Chemical Bank, New York, which I'm sure you're familiar with, and other banks that have also been merged or otherwise gone out of business.

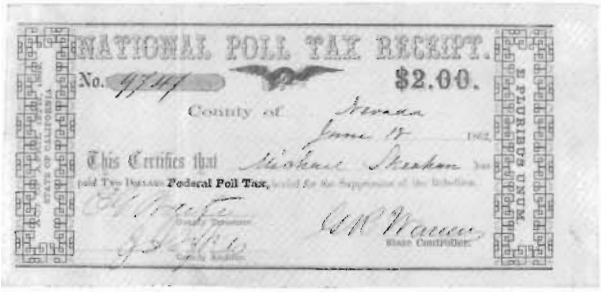
In those days you could select any topic or person that you pleased for the note's design. The southern banknotes had many images of blacks on them, as you will note, emphasizing the South's "Peculiar Institution." In those days the issuing of notes, by banks chartered by the states was widespread along with private notes. Both were prohibited or taxed out of existence by the Federal government at the end of the war. Borrowing money by private persons was considered to be a common-law right unless it was actually prohibited by state law.

Let's look at the war years. One of the more interesting things is how Dixie got its name. Louisiana had a substantial French-speaking minority, and all the laws were published both in English and French—the journals of the debates of the legislature, for example. "Dix" is the French word for ten. The South became known as the "land of Dixes," and ultimately, Dixie.

In the North, not long after the war got underway, the banks suspended cash payments in gold and silver coin, because their reserves were depleted.

Several things happened in those early war years. First of all the United States government got into the note-issuing business—legal tender tax receivable notes—including fractional currency to replace all

the small silver coins, which were hoarded after January 1862. Many people also began issuing their own small bills, but the Federal government prohibited these as of July 17, 1862. This law was needed because of the public losses from all the "tickets," "deposit certificates" and so on, which people invented trying to get around the law. Congress also levied a nationwide tax on property, and persons. The State of California levied a poll tax to raise its quota of this general property tax. It was the last time the United States government levied what's called a direct tax, before the income tax.


NATIONAL POLL TAX RECEIPT.
No.
$2.00.
County of
This Certifies that
Federal Poll Tax,
State Controller.

The California Poll Tax Receipt, "levied for the Supression of the Rebellion" in 1862.

Did California collect it on behalf of the Federal government?

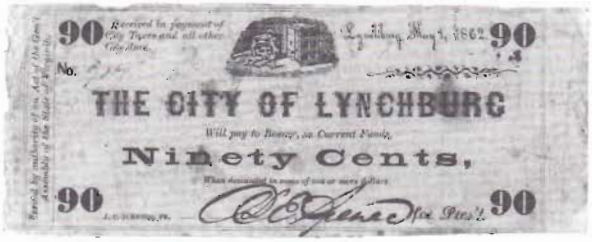
Dr. Ball: Yes. Some of the southern states did the same thing when the Confederate government levied a similar tax—South Carolina, for example, did. But in the North, some states did nothing and let the Federal government do it. California was so isolated with no railroad, that they undertook this job themselves. You see here a copy of the Federal Income Tax Regulations for 1862,—part of the Congressional program to maintain the value of the notes the government issued was to provide everyone with a solid reason why they had to get their hands on these notes to pay their taxes.

Was there any one specific moment, for example when the war started, when all of this financial activity took place, or did it continue throughout the war?

Dr. Ball: It continued throughout. When the South seceded in December 1860, all the banks immediately suspended specie payments. Specie payments are not maintainable in the middle of a revolution, but the United States government in the North maintained payments until December '61 until the slow ebbing away of coins from the banks forced them to suspend specie payments, too. That forced the Federal government to suspend payments on its demand notes. The government then could collect customs dues in specie at the Custom House, or the Secretary of the Treasury could run out and borrow gold and silver coin on bonds, or notes. The government had to do this, as this coin was needed to pay the interest on the national debt.

Was there a run on the northern banks, too?

Dr. Ball: There was a steady drain, and things became serious when the walk became a full sprint. In December of '61, the banks closed the teller windows on the customers, so that they couldn't get their coin any more. And you can see too that everybody got into the note issuing act, even Delmonico's restaurant! They began issuing notes, and 25 cents in restaurant scrip, presumably, would buy you a four-course lunch there: soup, entree, salad and dessert, plus coffee.


90
90
No.
THE CITY OF LYNCHBURG
Ninety Cents,
90
90

A 90¢ note issued by the City of Lynchburg, 1862.

The Federal government also tried to raise money in various ways, and used various kinds of debt instruments; short-term notes, high-interest bearing instruments to be passed from hand to hand, bonds offering attractive rates of interest for long periods of time, and so on.

What was a typical rate for a long bond in those days?

Dr. Ball: Your usual Federal rate was 6 percent, but they floated these short-term notes at 7.3 percent. You see here an advertisement for the end-of-the-war financing. What is tremendously important is that they got Jay

THE NEW POPULAR SEVEN-THIRTY LOAN.

PROBABLY THE LAST OPPORTUNITY TO OBTAIN

INTEREST AT THE RATE OF SEVEN & THREE-TENTHS PER CENT. PER ANNUM.

SEVERAL REASONS WHY THE PEOPLE SHOULD BUY THE SEVEN-THIRTY NOTES:

They are SAFE BEYOND A CONTINGENCY.

They pay a BETTER RATE OF INTEREST

They are compact and convenient in form

They are WITHOUT EXPENSE

WITHOUT DELAY.

converted into Cash

be worth a premium

regularly, promptly and surely

cashed anywhere.

The interest is easily computed

one cent per day on each Fifty Dollars.

cannot be Taxed

always available

paid off in Cash, or converted into the popular Five Twenty Bonds,

In Gold, as the holder may prefer.

loan your money to your Government,

promptly paying off the brave boys

patriotic

study your own interest

STOP TO THINK,

You should SUBSCRIBE PROMPTLY as they will all be TAKEN UP in a FEW WEEKS.

any Bank or Banker in your neighborhood.

You can obtain them in PITTSFIELD, N.H. *of*

JOSIAH CARPENTER, Cashier of the Pittsfield National Bank.

FISK & HATCH,

Bankers and U. S. Loan Agents,

No. 5 Nassau Street, New-York.

Bond Sales were vigorously pursued all over the North.

Cooke, the Philadelphia investment banker, to set up a nationwide consortium to sell these bonds. So for the first time there was a national market in U.S. government securities, and this activity was centered in New York. You'll see that just before the war, in December 1860, the New York Stock Exchange sales were very paltry—only $800,000 traded on an average day. By the end of the war, that figure came to many millions of dollars every day. There was a great growth here because Jay Cooke created a national securities market. So now for the first time corporations could sell their shares not just in Boston if you were a Boston firm, or New York if you were a New York firm. Now throughout the entire country, dealers would get up an issue and be able to market the stocks or bonds of this railroad or that manufacturing company. That's a tremendously important development for the modern securities industry.

Was there active trading of Confederate bonds in London or Paris? Or, were they just bought and put in safekeeping?

Dr. Ball: The Erlanger Confederate Cotton Loan issue, which was originally launched by Baron Erlanger in Frankfurt, Paris and London, with the help of J. Henry Schroeder & Co. were traded actively in London, Paris and Frankfurt. Other Confederate bonds were shipped to Europe, but most of those were fairly closely held, and sometimes were used as payment for past-due bills or as collateral for other transactions. The Erlangers fell constantly in value until the last interest payments were finally suspended in September 1865. That's when trading stopped.

You see this right here? This was before the beginning of the war with J.P. Morgan moving his investment banking business from London to the United States because that's where the action was. London, at that time, was the financial capital of the world. You'll see from this exhibit the establishment of a

national banking system; all of these stock certificates are indicative of the tremendous growth of business in the North—including floating new companies and the growth of oil. Oil for instance, grew from $2 million worth pumped in 1860, to over $100 million a year, by the end of the war. All of this reflected railroads being built, the growth of manufacturing and machine tools. So you see by these exhibits the northern industries burgeoning, and there's a tremendously active, vibrant economy by the end of the war.

An 1864 war-dated certificate of Walnut Island Oil Company, Venango, Pennsylvania.

On the southern side, however, there was economic ruin due to bad government policies, the blockade, and so on. The Confederate government, unlike the Union government, seldom levied a tax on anyone—it just issued currency. And whenever anyone felt like it, every butcher, baker and bartender did likewise. So the South was overwhelmed with a flood of currency. The states were not prohibited, under the Confederate constitution, from issuing their own money, and they added another $65 million in notes outstanding.

A basic southern business activity was buying and selling Confederate bonds and interest-bearing treasury notes, some of which you see here. This one shows the Battle of Shiloh, and the death of General A.S. Johnson.

Efforts to get any kind of business activities underway in the South were not very successful. You see the blockade running "Importing & Exporting" certificates, which was one of the few brand new activities. Some firms, like the Athens Manufacturing Company, sold new shares trying to raise capital to increase production, and the southerners also started their own insurance companies to replace coverage lost from northern companies, such as the certificate over here.

Some of the banks floated new stock, but that was not very important. And a few companies, like the Arkansas State Telegraph Company, even survived the war for a time, before being gobbled up by Western Union. But as you can see, these new firms were few and far between.

The Confederate government took a very laissez-faire view toward all economic activities. They waited for three years of war before trying to regulate imports and prohibit non-war essential imports like French brandies and silks, which were of very limited use and ate up cargo space and hard cash. It took them a great deal of time to control exports so they could ship southern products where they could sell them and then purchase munitions, armaments and so on, from Europe.

Here is a certificate issued by John Fraser and Company, Fraser, Trenholm in Liverpool. John Fraser and Company was the great Confederate blockade runner, and this bill of exchange was issued to procure the pay of the Confederate bond and note printers who had been brought over from Europe. These were a bunch of English lithographers who had to be paid every week in British coin. The result was the government had to have sterling or gold coin in order to pay these workers. Their three-year contract ran out just

about the time the Union armies were approaching Columbia, South Carolina, where the printing establishments were, so they all packed up and went home via Wilmington. The Confederates, at that point, had their office plundered in Columbia. This business ended rather ignominiously because for the last month-and-a-half of the war, the Confederacy had no source of funds whatever except voluntary donations, and the occasional collection of taxes.

That neatly illustrates the whole difference between the two sides. The energy of the North, business enterprise, the government's determination to control the currency and to keep up its value with taxation and specie backed funding, versus the CSA's lethargic, business-as-usual practices and hopes that someone would bail them out.

Was there a single architect for the North's superiority in finance?

Dr. Ball: Actually, Secretary Chase claimed responsibility, and indeed he had some good ideas; but the fact was, most of his ideas were not original with him. Mr. Hooper, a Massachussets congressman, was the man who came up with the idea of the national banks. Thaddeus Stephens, Congressman from Pennsylvania, was the Chairman of the Finance Committee. He and Elbridge Spaulding came up with the idea of the legal tender notes. Another one of their colleagues, Senator John Fessenden of Maine, who was Secretary of Treasury from '64 to '65, came up with the idea of having a gold coin revenue, to pay the interest on the Federal debt, thereby underpinning it with something of real value. If you've got a handful of gold coins in your hand, that bond now has real intrinsic value, through the income you receive.

You can go right down the line and point to one person or another as partly responsible, but Chase did serve, in many ways, as a useful figurehead in that regard. Erastus Corning, a Democratic congressman from Albany, was the man who was responsible for the heavy taxes voted in March 1862, which again provided an important support for the legal tender notes by bringing in a large revenue and compelling people to get notes to pay taxes.

Where did the greenback come from?

Dr. Ball: The greenback idea got started with Secretary Chase. He came up with what was called the demand note, payable on demand in gold coin. But the bankers, who saw a dangerous rival to their own currencies, refused to receive them, while the southerners were cheerfully receiving Confederate treasury notes without any legal tender law throughout the entire war. The northern banks refused to

Confederate States note printers Keatinge & Ball printed their own currency to pay their employees!

receive these greenbacks. So when Congress passed the Legal Tender Act in February 1862, they insisted that the banks receive them or else. I've had fun enforcing that law from time to time, with regard to the Susan B. Anthony dollar. There's nothing like the hint of a $5,000 fine and six months to five years imprisonment to induce people to decide that it is indeed their policy to receive Susan B. Anthony dollars. The Northern notes got their name, of course, from

the fact that they had green backs. You won't see any of them here, but the Confederate notes had blue backs, and consequently were known as "bluebacks."

We talked about the wide array of taxes that were levied by the North to support the cost of the army. What was the cost of the war to the North?

Dr. Ball: Well, the war cost $2 million to $3 million a day, by the beginning of the second year of the war. So Secretary Chase had to find enormous sums of money, and every now and then when he couldn't find enough he'd come around to the President, and say "I need another authorization for legal tender notes...a further increase."

What were some of the taxes? Were there some weird taxes that arose then?

Dr. Ball: Well, not absolutely weird. Internal Revenue Commissioner Wells in 1864 said if he saw anything like a business he'd tax it. They taxed whiskey, they taxed tobacco, they used revenue stamp taxes, and you see some of those revenue stamps here on the stock certificates. That was another way of putting little bits and pieces of revenue here, there and everywhere. The basis of the government's revenue was the Custom duties, which until the adoption of the income tax in 1913, usually made up over half the United States government's prewar, peacetime income. The Custom House at the bottom of Bowling Green was collecting roughly 25 percent of all U.S. government revenues at the time it was built. But these little stamp taxes, 25 cents here, 50 cents there, coupled with sales taxes, use taxes, luxury taxes on pianos, "pleasure" carriages, gold and silver jewelry, diamonds, gold and silver plate, came to considerable sums. The income tax was very modest though there were great shrieks of agony, but the rate was 3 percent on the first $15,000 which today would be equivalent to a 3 percent rate on the first $300,000.

Those revenue stamps persisted well into this century in tobacco and liquor.

Dr. Ball: I can remember going to the store and buying cigarettes for my mother, many, many years ago in Washington, D.C. and there was a big Federal tax stamp with DeWitt Clinton on it.

But this tax program depended upon a central government determined to innovate, determined to do things and be active. To summarize, the goal was the suppression of all currencies except those issued or authorized directly or indirectly by the United States. This meant either legal tender notes or the national bank notes, which were backed by U.S. government bonds issued during the war. That was a way of getting people to buy the bonds so they could then open a national bank and issue national bank currency. All private scrip was suppressed. Private mints out in the West were also suppressed.

Arkansas war bond treasury warrant, 1865.

Didn't some of those persist into the 1870s—the private mints in the West?

Dr. Ball: No. The last one was knocked out with the Act of June 30, 1864. It was done very simply—they bought them out. After

that, nobody dared to try to open a new one, because it was too dangerous because of heavy government penalties. So far as the currencies are concerned, you're quite right. Efforts to keep on issuing currency, particularly in the South and scattered places in the North, persisted into the 1870s, but the Congress kept adding penalty on top of penalty, on just about everything except subway tokens, to the point where it just was too dangerous to try that again. Once in a while, like in 1933, when the

Five shares of Bank of the Commonwealth, Richmond, Virginia, dated 1864.

banks were all closed and people were having to pay their employees with scrip, the U.S. government looked the other way. But as soon as the banks began to reopen, out came notices from the United States District Attorneys in several states saying, "Dear Sir, It has come to our attention that you have been issuing notes. We have overlooked this delinquency on your part because of the crisis, but now that the banks are reopened and currency is becoming available..." In translation: "You bloody well better call your notes in a hurry, because if you don't, we will send you all to jail." That resulted in the currency disappearing with great speed.

The post war growth created a national securities market here in New York. The New York Stock Exchange in 1865 was trading securities from all over the country, providing a national market for government bonds, which now became an invaluable instrument in terms of the government's managing of its own finances rather than being at the mercy of a small consortium of bankers, like W.W. Corcoran in Washington, or in the earlier days John Jacob Astor and Company in New York, and Stephen Girard in Philadelphia. So the ultimate importance of the Civil War goes far beyond the amendments to our Constitution, the abolition of slavery and so on. It really laid the foundation of a modern nation. Up to 1861, the general phrase was, "The United States are." Thereafter, the phrase was "The United States is," because now we had become a single nation, not 34 quasi-independent cantankerous states with a common agent of very limited powers. There was a truly Federal system.

What was the lingering problem? Basically there was a positive impact on the North, but why did it take the South over 100 years to come out of this?

Dr. Ball: This is because of the vengeful feelings of many of the northerners for the South. The southern rebellion was viewed as utterly sinful, and the southerners as a pack of criminals. Fortunately radicals like Thaddeus Stephens and Lincoln were wise enough to avoid proceeding to extremes. When they asked Lincoln, "What are you going to do with this Davis crew when you capture them?" "Shoo them out of the country" Lincoln replied.

By thus belittling them, they did not put a crown of martyrdom on their heads and give them, in retrospect, a dignity which they did not deserve. That tactic was very clever because so many southerners were disen-

chanted with the way Davis and his friends had managed the country, that all those people were utterly discredited. A few of them like Stephens, who had been utterly discredited as Vice President because he divorced himself from the government, managed to restore some kind of political career, but the really hard-line secessionists and the ones who had been fight-to-the-finish Confederates were politically dead. They may have had some influence here and there, but they were politically gone.

The fact is that the South went from being a reasonably wealthy area to great poverty. The slaves didn't count as people, and they represented one-third of all financial values in the South; when they disappeared permanently—not as persons, but as assets on somebody's books—the wealthy became poor. And then unlike the North, where just a few raids took place, there was systematic pillaging and burning from one end of the country to another. The Federal government did not have a Marshall Plan, or anything like it. The southerners had to dig out on their own. And it is significant in this process that of 85 banks, only ten survived 1866, and only four got through 1873.

Throughout the South?

Dr. Ball: Throughout the entire South. Out of 85 banks, there were only four left within a handful of years after the end of the war. Most of the banks simply closed their doors the day the Union forces arrived and never reopened. In one instance, at the branch of the Bank of Cape Fear in Salem, North Carolina, the bank's officers met and hurriedly paid themselves with the foreign exchange and gold coin on hand, redeeming the notes that they held. Then they ran around the corner, got a Federal charter for the Salem National Bank, which become the Wachovia Corporation, of today. Another firm, the Second Bank of Winchester, Virginia, became the Shenandoah Valley National Bank which now has been merged into Virginia Bankshares, Inc. But these were wreckage-salvaging operations, and they were very few, and far between. Basically, the northerners arrived with bundles of southern bank notes to find that they controlled once fine collateral assets that were reduced to burned out plantations and emancipated slaves. These you could not realize on for obvious reasons


Arkansas State Telegraph Company.
This is to certify.
ARKANSAS STATE TELEGRAPH COMPANY

Arkansas State Telegraph Company, 1862.
Note "Confederate States of America" at the top.

and certainly not to any significant degree—only pennies on the dollar for the plantations. Values fell and there was no capital. Southerners had to import capital from the North; the northerners charged all the interest the market would bear. There's a tombstone down in North Carolina of one of these northern money lenders. When he died and his relatives went around later to look at the tomb, they found someone had thoughtfully inscribed on it, "Here lies ol' 36 percent; the more he got, the more he lent; the more he got, the more he craved; good God, can such a soul be saved?" That was basically the story in the southern economy as a result of this disastrous experiment in rebellion.

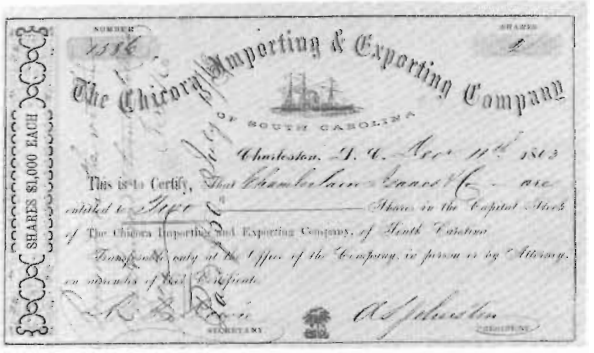
I have written a book which shows that had they managed their finances correctly, the South would have done better. Problems in finances helped the Confederacy go down the slopes to ruin, because they created hyper inflation, which meant that everybody was left without any feeling of monetary security or anything else. It ruined an army which was unclothed, unhoused, underfed and unpaid, and that meant they couldn't send money home to their families, so morale on the home front collapsed. Women wrote to their menfolk, "Help, come home, we're starving."

You indicated that there was plummeting of values in the South after the war: What happened in the North? Was there inflation?

Dr. Ball: There had been some inflation. The Federal dollar fell to roughly three-to-one in gold at one particularly bad point in 1864. By the end of the war it was back up to around 40 percent discount against gold. And slowly over the years, until resumption of gold payments in 1879, it climbed back up to par. So you had actually what amounted to deflation in the North, which was moderate; but in the South conditions became severe. If the North had kept the currency somewhat bloated deliberately and created an aid program for the South, the South would have come out of its tailspin much sooner. But the North passed a whole group of unfavorable measures including a cotton export tax with the idea of making the southerners pay for the war. This just slowed down the recovery of the southern economy, and this hurt all the northern companies, which would have liked to have sold goods to the South, but couldn't sell to people who didn't have any money or credit. So the whole country's economy was dragged down by the poverty in the South, a direct result of the war.

Why, during the war, didn't the people support taxes?

Dr. Ball: Quite a few sensible people did, but unfortunately the politicians in the South, like our gentlemen in Washington today, believed that taxation was an obscene word not to be mentioned in polite company. It took them until roughly January of 1864 before any significant tax collections began, during which time—over three years—the government lived by the printing press. When the South seceded, the total currency circulation was $100 million. By 1863, they were printing $50 million a month. You can imagine what would happen here if the Federal Reserve inaugurated such a policy.



A blockade running company, South Carolina, dated 1863.

If you look at the legislative accomplishments in the North in that four-year period, there was a lot accomplished.

Dr. Ball: A tremendous amount was accomplished, and it was accomplished by men who were extremely able. But the difference between those men and the modern ones is that they did not go out and take a poll before figuring out what needed to be done. They decided what was in the best interest of the United States and they proceeded to enact it. And to those with fear and trembling who were saying "Dare we face our constituents

after voting all these heavy taxes?", their answer was, "Let them find you tough. Go home and tell them, 'Do you want to save the Union, or don't you? Are you a traitor or a loyal man?"

I understand that, but at that time, all of the Southern members of Congress were absent!

Dr. Ball: That was a key point. The southerners, because of slavery, began to fear the central government, so they didn't want it to exercise any of its Constitutional powers, and they blocked it. As soon as they seceded and left, they opened the way for all the innovations that everybody had been talking about for years and wanted to get done, but had been blocked because of the southern votes.

Similarly, when the southerners set up their own government, instead of recognizing their own government as the defender of their interests, they treated it as their enemy. That lack of confidence in their own government was one of the factors that made taxation and other measures needed to win a very difficult war practically impossible. And of course the fact that President Davis lived in isolation in his office in the Confederate White House, and seldom condescended to go down and work with the Congressmen and explain to them what was needed and why, didn't help.

So politicians could take some lessons from the war?

Dr. Ball: Yes. And it also goes far to explain why today the northerners have a very casual view toward hyper-inflation—they never experienced it! It also explains why the southern politicians today tend to be the ones who talk about balanced budgets and reducing deficits and so on, because they went through the wringer, and it has influenced them ever afterward—rigid economy, and so forth. It's still with us after 100 years, and the typical patterns have not materially changed. Maybe people call themselves "Republicans" and "Democrats," but actually what they really are is old-fashioned Whigs, pre-Civil War, because they represent the same parties—Whigs versus Democrats. It's the same struggle of the pro-business group versus the same suspicion-of-business group.

It's a doleful story, on the southern side, of mismanagement. The northerners made their share of mistakes, but of course having more power and more resources at their disposal, they could afford some mistakes. The fact is they made few mistakes, and they were remarkably bold in adopting new ideas and carrying them into execution. And you see it also as a matter of party structure. The South had become a one-party arena, which meant you had factionalism—Democrat A running against Democrat B—but in the North there were Democratic candidates running against Republicans. Therefore it became a war issue, which was measured by your patriotism and loyalty. This was a clever way to win over the war Democrats who supported the Union to vote for measures and overcome resistance. For even some of the Republicans like Roscoe Conkling said, "Legal Tender Act! Good Lord, horrors, I can't vote for that!" But they got enough Democrats, so they got the bill through. It was Erastus Corning and his group that did that, but the Ways and Means Committee in the House consisted of able people, every one of whom was a person of substance and real political courage. They went out and led from the front. In the South, only the Confederate generals were prepared to lead from the front. At the battle of Franklin, nine generals were killed in a single day, which provided advancement for colonels!

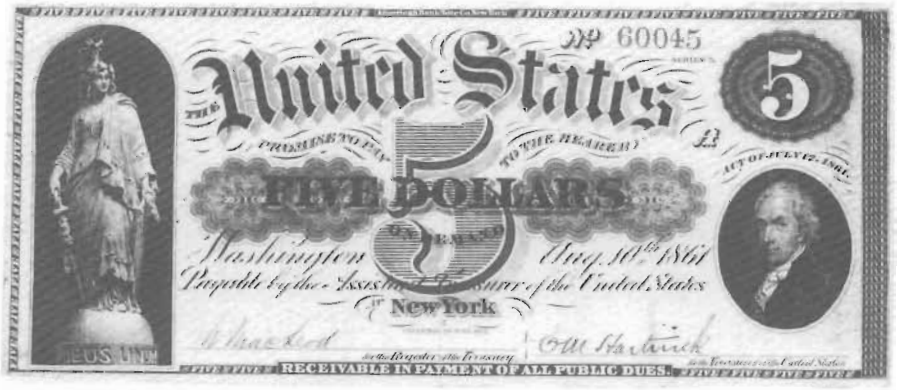
How would you assess Lincoln's overview of the fiscal handling of the war?

Dr. Ball: Lincoln had as little financial knowledge as Jefferson Davis, but one advantage. The President only worried about one thing: will there be enough money to pay the Army and the Navy? That was his chief concern.

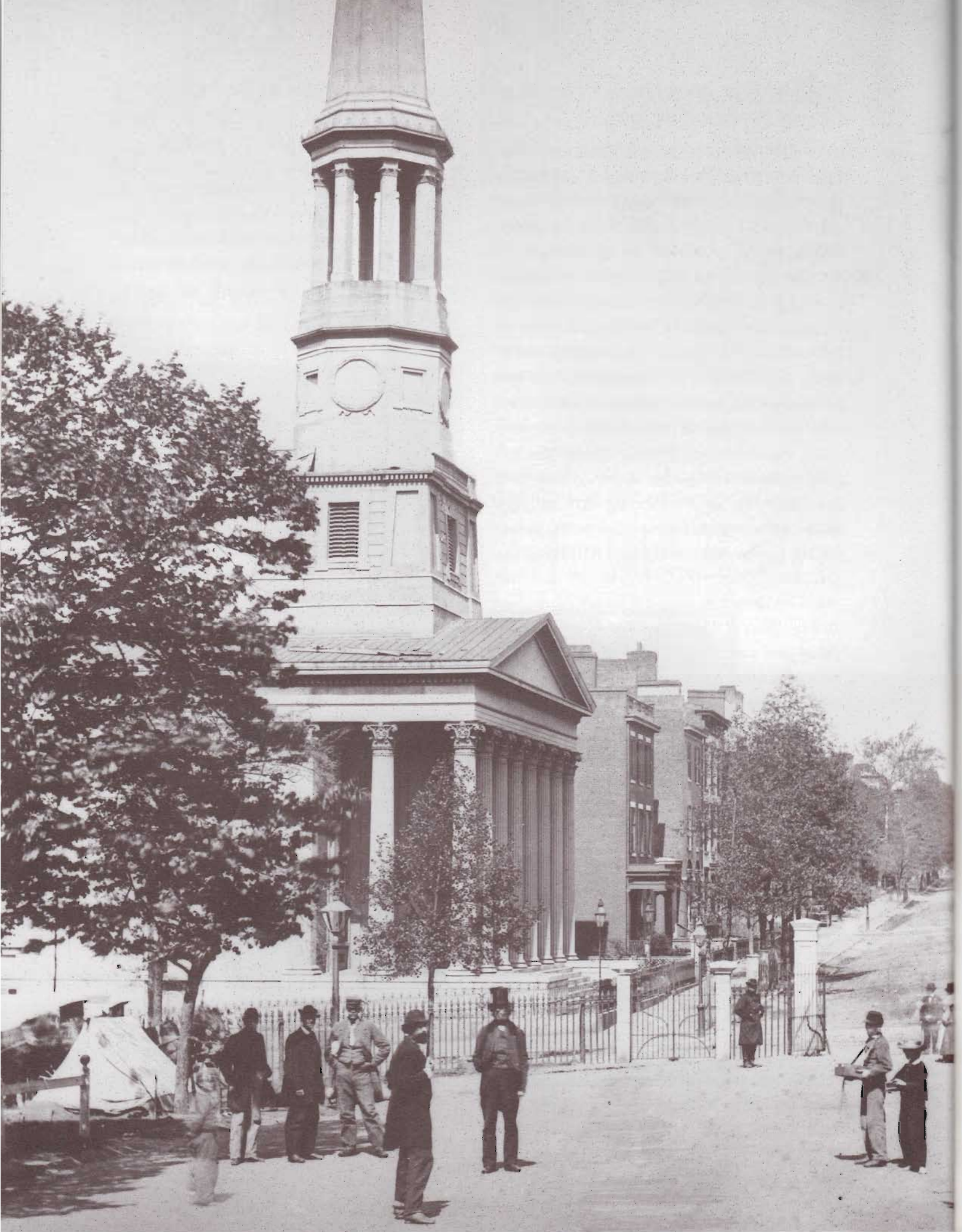
Toward the end of the war when his new term began, before he was assassinated, Hugh McCulloch who became his third Secretary of Treasury said to Lincoln "Mr. Lincoln, we're trying to float this 7.3 percent loan, and I'm trying to get the bankers to support this billion-dollar effort." And McCulloch added, "As you know, Mr. President, if I may quote from the good book, where one's treasure is, there will one's heart be also," indicating that the purchase of these notes would increase the determination to see the war through. The President said, "I have heard that text, but have you, Mr. Secretary, heard this text: "Where the carcass is, there will eagles be gathered together."

Lincoln was under no illusions that the government was having to borrow money on hard terms. He knew what had to be done and he was prepared to do it. As he said, "Give the money machine another crank. We've got to find the money, we cannot allow this war to fail."

A $10 five percent Treasury Note, payable in one year.



The backs of these legal tender notes were printed in green, hence the name "greenbacks."



OBJECTS IN THE EXHIBIT

Pre-War Currency

Philadelphia, Pennsylvania. Bank of North America. $5, February 1, 1860.

The Bank of North America in Philadelphia was one of the 1,500 issuers of paper currency prior to the Civil War. The portrait of Benjamin Franklin, Philadelphia's adopted son and internationally renowned diplomat, scientist, inventor and author graces the $5 bill. Note also the stars and stripes and eagle, American symbols all. Later, only gold and silver money specified by the federal government was legal tender for all private and public debts. These bank-issued paper notes were redeemable in "hard" money at the bank office.

New York, New York. Chemical Bank. $1, November, 1860.

East Greenwich, Rhode Island. Rhode Island Exchange Bank. $1, September 1, 1859.

Two women operating textile machines are portrayed on this $1 bill from the Rhode Island Exchange Bank of East Greenwich, Rhode Island. Samuel Slater, an English technician, arrived in the United States in 1789 with plans for cotton machinery he had committed to memory, in order to outwit the English authorities. Soon after his arrival, he set up mills in Providence and Pawtucket with the financial assistance of local capitalists to start the New England textile industry.

Silasville, Pennsylvania. Petroleum Bank. $1.

With an oil rig featured in the lower right corner, the Petroleum Bank of Silasville, Pennsylvania celebrates the oil boom that struck the region just prior to the Civil War.

Contemporary portrait. Jefferson Davis, 1808–1889; signed November 9, 1855.

Smethport, Pennsylvania. McKean County Bank. $1, not dated.

Trenton, New Jersey. Merchants' Bank. $3, November, 1862.

Lexington, North Carolina. Bank of Lexington. $5, August 8, 1860.

Pittsburgh, Pennsylvania. Allegheny Bank. $1, May 1, 1861.

Contemporary portrait. Abraham Lincoln, 1809–1865.

Greensborough, North Carolina. Bank of Greensborough. $2, December 1, 1858.

Wilmington, North Carolina. Bank of Cape Fear. $8, October 25, 1858.


STATE OF NEW-YORK,
Comptroller's Office,
STOCK ISSUED ON ACCOUNT OF THE BANK FUND.
This Certificate
In Witness whereof,
Comptroller.

State of New York. Stock Issued on Account of the Bank Fund. Signed by A.C. Flagg, New York. State Comptroller. October 14, 1845.

In 1829, as a reaction to several bank failures and the problems presented by redeeming notes issued by outlying banks, the New York State legislature passed the Safety Fund Act. Each solvent state-char-

tered bank paid a tax based on a percentage of its capital into the Safety Fund. The fund was to be used to reimburse the note holders of failed banks and guarantee all the liabilities of a failed bank, but not the stockholders. In 1842 the law was amended to cover notes only, its original intention. The Loan Stock issued by the New York State Comptroller's Office paid six percent per annum and was redeemable by February 1, 1856. The Safety Fund was a precursor of the Federal Deposit Insurance Corporation.

Savannah, Georgia. Farmers and Mechanics Bank. $100, June 1, 1860.

Bainbridge, Georgia. Southern Bank. $1, August, 1866.

Cheraw, South Carolina. Merchants' Bank of South Carolina. $20, July 7, 1857.

This $20 note picturing various female figures, edifices and a train, is characteristic of pre-Civil War notes.

The North—Currency

Maryland. Somerset and Worcester Savings Bank. $3, 1862.

Elmira, New York. Chemung Canal Bank. $.05, November 1, 1862.

Washington, DC. United States greenback, $5, August 10, 1861.

This five dollar "greenback" note shown front and back was authorized by Congress in February 1862 as part of an issue of $150 million. These notes were not specifically redeemable at any future date or in any monetary metal—the first fiat paper money issue of the United States government. Greenbacks were not accepted by the government in payment of customs duties and could not be used by the government to pay interest on the federal debt and thus were not full legal tender. For 17 years beginning in 1862, when holders of bank money sought to convert it into "lawful money," they received paper obligations of the government rather than specie. During the Civil War, the United States government issued $450 million in greenbacks. When Treasury Secretary Chase became Chief Justice Chase of the United States Supreme Court he ruled that the greenbacks were unconstitutional!

United States Postage Currency. 10 cents.

United States Postage Currency. 25 cents.

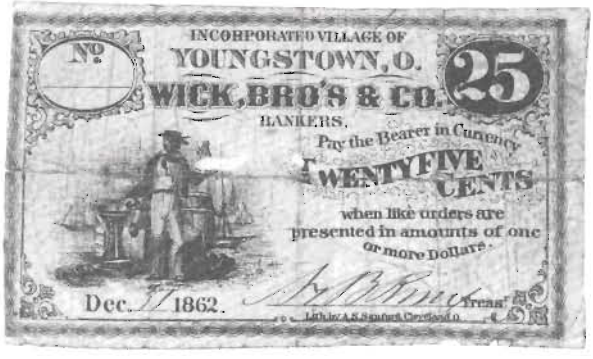
United States Postage Currency. 10 cents.

Trying to solve the small change shortage, Congress authorized "postage" and "fractional" currency after July 1862, featuring George Washington on the ten-cent note and Thomas Jefferson on the twenty-five cent note.

Washington, DC. The Bullion Bank. $2, July 4, 1862.

Jersey City, New Jersey. Bank of America. $.25, November 15, 1862.

St. Joseph, Michigan. B.C. Hoyt, Banker. $.20, November 1, 1862.



Youngstown, Ohio. Wick Brothers & Co. $.25, December, 1862.

Wick Brothers and Company of Younstown, Ohio issued this twenty-five cent note in 1862. It could be redeemed at their place of business or at a specified bank, a common practice before the passage of the National Bank Act of 1863.

Newark, New Jersey. The Mayor and Common Council. $.10, not dated.

Newark, Delaware. Town of Newark. $.20, not dated.

Newark, Delaware was one of many municipalities, counties and private businesses that issued small denomination notes. The covered wagon featured on the note was the principal method of transporting family and household goods from one region to another.

Jersey City, New Jersey. The Mayor and Common Council. $.05, November 5, 1862.

Newburgh, New York. The Corporation of the Village of Newburgh. $.10, October 15, 1862.

New Baltimore, Stark County, Ohio. John Lewis. $.10, December 12, 1864.

Albany, New York. The City of Albany. $.05, November 24, 1862.

Valentine's Manual, 1862. Lithograph. Departure of the Seventh Regiment of New York, 1861.

Valentine's Manual, 1862. Lithograph. Departure of the Sixty-Ninth Regiment of New York, April 23, 1861.

Statute. Federal Income Tax for 1862.

To help pay for the Civil War, in 1861, Congress passed an income tax law for the first time since the War of 1812. Incomes above $800 per annum were taxed at 3 percent. By 1865, the income tax and various other levies had paid for about 20 percent of the federal government's wartime expenditures. The income tax was abolished in 1872, declared unconstitutional in 1881, reinstated and made permanent by a constitutional amendment in 1913.

Hoboken, New Jersey. The Hudson River Bank. $.05, not dated.

Nevada County, California. National Poll Tax Receipt. $2, June 12, 1862. Act of April 12, 1862.

New York, New York. C. Delmonico's $.15, July, 1862.

Contemporary engraving, Major General George B. McClellan, 1826–1885.

Bloomers Hotel and Restaurant. $.05, not dated.

Olean, New York. Stowell, Chamberlain & Co. $.10, November 1, 1862.

Brooklyn, New York. 683 Myrtle Avenue. $.10, November 18, 1862.

The South—Currency

Richmond, Virginia. Confederate States of America. $10, December 2, 1862.

Austin, Texas. Treasury Warrant. $2.50, November 18, 1864.

Raleigh, North Carolina. State of North Carolina. $.05, October 1, 1861.

Savannah, Georgia. Mechanics' Savings & Loan Association, $1. April 4, 1862, recycled currency.

During a period of widespread shortages of even the most common items, especially paper, Mechanics' Savings & Loan in Savannah was forced to recycle old bills of the Merchants Bank of Macon, Georgia printed on only one side. Confederate Treasury Secretary Memminger made no effort to prevent banks from issuing currency nor did he induce them to withdraw it voluntarily.

Cleveland, Tennessee. Ocoee Bank. $1, January 8, 1862.

Richmond, Virginia. Confederate States of America. $20, September 2, 1861.

In May 1861, the Confederate capital was moved from Montgomery, Alabama to Richmond, Virginia. This $20 note emitted from Richmond dated September 2, 1861, was not backed by gold and was not legal tender. Six months after ratification of a peace treaty between the Confederate States and the United States the bearer would be paid $20, the note promises.

Richmond, Virginia. Confederate States of America. $100, February 17, 1864.

Plaquemine, Louisiana. Parish of Iberville. $3, March 16, 1862.

Richmond, Virginia. Bank of the Commonwealth. $1.75, June 1, 1862.

New Orleans, Louisiana. Banque des Citoyens de la Louisiane. $10, Dix Note.

In Louisiana, certain $10 notes had the French word for ten—"Dix"—engraved on their backs, as many people spoke French. "Dixie" became an affectionate name for the entire South—not just Louisiana. In April 1859, Dan Emmett of the Virginia Minstrels first performed "I Wish I was in Dixie Land," later a semi-official Confederate anthem.

Shreveport, Louisiana. State of Louisiana. $5, March 10, 1863.

Richmond, Virginia. Virginia Treasury Note. $100, October 15, 1862.

South Carolina. The Bank of the State of South Carolina. $.15, February 1, 1863.

Charleston, South Carolina. City of Charleston. $.10, June, 1862.

Jackson, Mississippi. State of Mississippi Treasury Note. $50, February 21, 1862.

Richmond, Virginia. Virginia Central Railroad Co. $20 6% note, June 1, 1861.

Mobile, Alabama. Deposit Bank. $2, August 19, 1862.

Engraving of Robert E. Lee, 1807–1870.

Columbia, South Carolina. Keatinge & Ball. $2, March 15, 1862.

Confederate note printers Keatinge and Ball of Columbia, South Carolina were forced to issue their own notes to pay their workers while waiting to be reimbursed by the Confederate Treasury.

Arkansas. Arkansas Treasury Warrant on War Bond. $1, January 26, 1865.

Lynchburg, Virginia. City of Lynchburg. $.90, May 1, 1862.

Plaquemine, Louisiana. Corporation of Plaquemine. $.05, March 1, 1862.

Greensboro, North Carolina. Greensboro Mutual Life Insurance Company. $.50, September 1, 1862.

New Orleans, Louisiana. C.W. Holt. $2, January, 1862.

Bellville, Austin County. Austin County. $2, September 23, 1864.

Missouri. Missouri Defence Bond, redeemable in three years. $4.50, November, 1861.

The State of Missouri issued this small denomination bond to provide for its defense secured by the "pledge of all the state's revenues"—an illustrative example of state's rights and prerogatives.

Richmond, Virginia. Confederate States of America. $.50, April 6, 1863.

The North—Bonds

United States of America. $1,000 Bond, Loan of 1862. Unissued example, cut canceled.

Engraving. Admiral David G. Farragut, United States Navy, 1801–1870.

United States of America. $500 Bond, with ten coupons attached, dated November 16, 1861. Acts of July 17 and August 5, 1861. Rice paper proof.

United States of America. $1000 Bond with five coupons attached, convertible into 20 year—6% bonds. Act of July 17, 1861.

Treasury Secretary Salmon P. Chase's portrait appears in the center of this $1,000 certificate convertible into 6 percent 20 year bonds callable in five years—the so-called "five-twenties." Chase also ordered the words "In God We Trust" printed on every piece of United States currency beginning in 1864.

United States of America. Assistant Treasurer of the United States. $5000 Certificate of Deposit. Printer's proof.

United States of America. Treasury Note. $10. 5%, Act of March 3, 1863.

United States of America. Compound Interest Treasury Note. $20. Act of June 30, 1864, dated December 15, 1864.

These two low denomination Treasury notes were issued to appeal to small investors, first identified and tapped in a national wartime bond sales campaign by investment banker Jay Cooke. The ten-dollar note shows Secretary Chase, the eagle and Ceres, goddess of the harvest. The twenty-dollar compound interest note features a woman, a cannon and President Lincoln. Cooke supported the market price of the bonds during their initial distribution using his own and Treasury funds. This practice, common in Europe was new to the United States.

Contemporary engraving. Secretary of the Treasury Salmon P. Chase, later Chief Justice of the United States, 1808–1873.

United States of America. Certificate. $100 with four coupons attached. June 15, 1864.

Philadelphia, Pennsylvania. Business Card, Jay Cooke & Co., subscription agents for 7.30% US Loan.

New York Stock Exchange Sales. First and Second Boards, December 14, 1860.

Pittsfield, New Hampshire. Handbill. Pittsfield National Bank. 7.30% loan offer by Fisk and Hatch, Bankers and US Loan Agents.

This handbill from the Pittsfield, New Hampshire National Bank urges the recipient to subscribe to the "New Popular Seven-Thirty Loan" before the supply is all "taken up." In January 1865, Jay Cooke, after successfully disposing of $362 million out of a $510 million issue of "five-twenties" at par, was again summoned to sell an $830 million issue of 7.3% notes maturing in three years known as "seven thirties." Fisk and Hatch, New York associates of Jay Cooke, served as agents for the loan.

Fulton, New York. Contemporary trade card. Head of General Ulysses S. Grant, 1822–1885. Compliments of S.F. Hill, Boots and Shoes.

Contemporary lithograph. General George G. Meade, 1815–1872. Benjamin M. Hitchcock, New York, Publisher.

The South—Bonds

Confederate States of America. $1,000 bond, 8%. Authorized by Confederate States of America Congress, May 16, 1861.

Richmond, Virginia. Confederate States of America $500 bond, 8% with fifteen $20 coupons attached; vignette of Memminger. Authorized by Confederate States of America Congress. April 12, 1862.

Confederate States of America. $1,000 Bond, 7% with seven $35 coupons attached, vignette of Lieutenant General Thomas J. "Stonewall" Jackson. Authorized by Confederate States of America Congress, March 2, 1863.

Montgomery, Alabama. Confederate States of America Note. $500, June 21, 1861.

Confederate States of America. $100 Note, December 8, 1862.

Slave farmhands occupy the center of this Confederate $100 note dated December 8, 1862. In an effort to reduce the amount of currency in circulation, the Confederate Congress passed a law in February 1864 requiring the public to exchange paper bills for long-term bonds at 4% interest. Holders of $100 paper money bills like this one were to exchange them for bonds by April 1st or suffer a reduction in value of their currency by one-third, set to decline in value by one-tenth monthly thereafter.

Richmond, Virginia. $1,000 bond, 8% with seven $40 coupons attached, vignette of President Jefferson Davis and view of Richmond. Authorized by Confederate States of America Congress, February 20, 1863.

Richmond, Virginia. $1,000 bond, 8% with 24 $30 coupons attached. Fourth Series. Authorized by Confederate States of America Congress, February 17, 1864.

Confederate States of America. $1,000 bond, with eight $30 coupons attached, view of Confederate States of America Executive Office Building, Richmond. Authorized by Confederate States of America Congress, March 23, 1863.

Richmond, Virginia. Confederate States of America. $10, fundable in 8% stock or bonds of Confederate States of America.

Confederate States of America. $100, August 19, 1862.

Confederate States of America. £1000 tri-valued Erlanger "cotton bond."

The North — Corporate Issues

Philadelphia, Pennsylvania. Connecticut Mining Company. Stock Certificate. May 18, 1864, with adhesive revenue stamp.

Alton, Illinois. Alton National Bank. $1, August, 1865. National Currency.

This one dollar bill issued by Alton National Bank has the significant words "national currency" printed on the bottom. The addition of the word "national" to a bank's name (or alternatively the letters N.A. after it) was required by the Act and perceived by the public as a sign of prestige since the bank was meeting the high standards of solvency and liquidity set by the Federal government.

Knowledgeable observers and bankers recognized that the National Bank Act was more stringent than the New York State Banking Act of 1838 on which it was based. Under the new act the only bonds admissible as collateral for note issues were United States government bonds. Moreover, the act imposed a minimum reserve requirement of 25 percent on all deposits and limited loans to single borrower to 10 percent of a bank's capital and surplus. National banks were barred from offering mortgages, opening branches and exercising trust powers. The Comptroller of the Currency, a new supervisory position, conducted on-site bank examinations to ensure that each national bank adhered to the law.

Contemporary Engraving. General William Tecumseh Sherman, 1820–1891.

Hartford, Connecticut. Phoenix Insurance Company. Stock Certificate. July 20, 1864, with adhesive revenue stamp.

New York City. Butterfield's Overland Despatch Company. Stock Certificate. March 20, 1865, with stamp.

Butterfield's Overland Despatch Company, organized shortly before the war ended, featured a covered wagon as the central vignette on its stock certificate. This and similar companies provided essential delivery services of valuable shipments. The legendary Pony Express had been put out of business once the Western Union Telegraph Co. began coast-to-coast operations in 1861.

New York City. The Alden Type Setting and Distributing Machine Company. Stock Certificate, June 14, 1863, with stamp.

New York City. Letter, J.P. Morgan of George Peabody and Company, 53 Exchange Place. March 21, 1861.

Twenty-four year old J.P. Morgan, then a special agent of the firm George Peabody and Company, signed this letter acknowledging the sale of $225,000 of railroad construction bonds in March, 1861. During the next half-century, Morgan became the leading United States financial and investment banker, forming Drexel, Morgan & Co. in 1871, which later became J.P. Morgan and Company.

Photograph, Pach Bros., New York. J.P. Morgan, 1837–1913.

Media, Pennsylvania. First National Bank of Media. Stock Certificate, August 1864.

Media, Pennsylvania, a suburb of Philadelphia, boasted a national bank in 1864, a year after the passage of the National Bank Act. This certificate for five shares appeared to be a sound investment in a solid institution.

Philadelphia, Pennsylvania. Walnut Island Oil Company. Stock Certificate, September 15, 1864, with stamp.

The Walnut Island Oil Company is but one of the numerous oil companies that sprung up after oil production began in Titusville, Pennsylvania in 1859. John D. Rockefeller who early recognized the importance of the petroleum discovery, built his first refinery in Cleveland in 1863. Kerosene, a new and cheaper petroleum product, soon replaced whale oil and coal oil for lighting and heating.

United States of America, Treasury Department, for the Union Pacific Railroad Company, $10,000 6% bond. January 29, 1869. Issued and canceled.

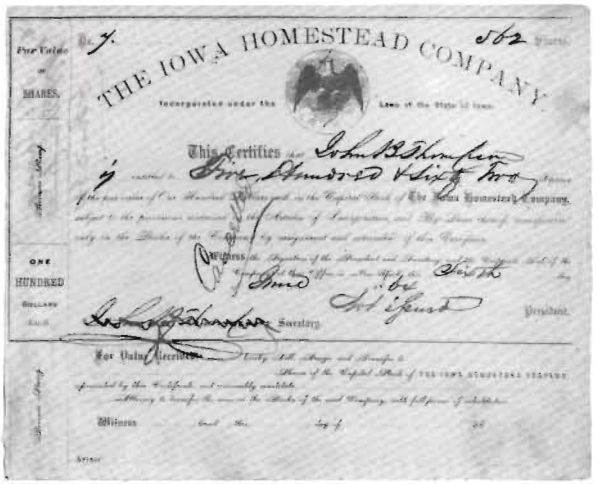
In 1863, the United States Congress authorized cash subsidies, land grants and mineral rights to encourage construction on both the Union Pacific and Central Pacific railroads as part of a transcontinental railroad system. When the two lines joined at Promontory Point, Utah on May 10, 1869, seven years ahead of the deadline set by Congress, the nation was jubilant. This certificate is a $10,000 bond issued by the United States Treasury on behalf of the Union Pacific Railroad, a very rare example of this type of financing.

Columbus, Ohio. Columbus and Indianapolis Railroad. Stock Certificate. July, 1864.

Civil War-Union Cover.

"The American Flag, O long may it wave / O'er the land of the free and the Traitor's grave." J.G. Wells, NY.

Gettysburg, Pennsylvania. Bank of Gettysburg. Stock Certificate, June 21, 1860.



The Iowa Homestead Company. Stock Certificate, June 6, 1864.

The Homestead Act, effective January 1, 1863, promised any settler 160 acres of Western land free with a $14 registration fee, provided he live on and improve the tract for five years. About 125,000 settlers received land, representing about 20 million acres, though not all settlement was successful.

Perrysburg, Ohio. Wood County, Ohio Bounty Fund Bond, $50, September 1864. Due September 1, 1868, with $.05 stamp.

The South—Corporate Issues

Charleston, South Carolina. The Chicora Importing and Exporting Company of South Carolina. Stock Certificate, December 11, 1863.

Charleston, South Carolina. Importing and Exporting Company of South Carolina. Stock Certificate, September 16, 1863.

"Importing and Exporting" companies were actually blockade running companies. At its peak, six hundred ships, mainly British, were engaged in blockade running, most often between Wilmington, North Carolina and Bermuda. The neutral Mexican port of Matamoros near the Texas border became a thriving port of entry into Texas. Blockade runners, intent on profits, found luxury goods like champagne, perfume and corsets more lucrative than the iron rails and other necessities so desperately needed by the South, and consequently devoted the bulk of their cargo space to these until February 1864, when the Confederate Congress banned the importation of luxuries and required that half of the cargo space in outgoing vessels be reserved for Confederate exports. The fall of Wilmington in January 1865 seriously hampered blockade running.

Confederate States of America. $100 6% Non-Taxable Certificate, March 9, 1865. Authorized by Confederate States of America Congress, February 17, 1864.

The Confederacy issued this six percent non-taxable $1,000 certificate exactly one month before General Lee surrendered to General Grant at the Appomattox Court House.

Richmond, Virginia. $100 4% Confederate States of America Registered Bond, authorized by Confederate States of America Congress, February 17, 1864. Naval Scene.

Atlanta, Georgia. Stonewall Insurance Company. Stock Certificate, March, 1863.

Athens, Georgia. Athens Manufacturing Company. Stock Certificate, January 1, 1873. Signed by Henry Hull, former Confederate States of America Depositary, Athens.

Shares in the Athens Manufacturing Company of Athens, Georgia were signed by its president, the former Confederate Depositary. The depositaries original-

ly located at New Orleans and Charleston were entrusted with the public funds. Additional depositaries were added at Wilmington, North Carolina, Savannah, Mobile, Nashville, Memphis, Galveston and La Salle, Texas. The Depositaries and Assistant Treasurers received revenue from taxes, customs and the sale of Confederate bonds. The Assistant Treasurers were authorized to disburse the public funds on receipt of warrants from the Treasury and served as a reservoir for "pay depositaries", keeping those offices supplied with funds to meet the public demand. The Assistant Treasurers along with the depositaries comprised the Confederate banking system.

Richmond, Virginia. Bank of the Commonwealth. Stock Certificate, February 15, 1864.

George Washington, the first Virginian to become President of the United States, is portrayed on the shares of the Bank of the Commonwealth of Virginia dated February 15, 1864. To Virginians, Washington symbolized great statesmanship, military prowess and the continuing slaveholding tradition which was jeopardized when Abraham Lincoln became president.

Florida. Home Insurance Company Stock Certificate. October 12, 1863.

Charleston, South Carolina. Check to Keatinge and Ball in London.

Twenty pounds sterling "as advised by Messrs. Fraser, Trenholm & Co." Signed by John Fraser & Co., Liverpool. Fraser, Trenholm & Co., served as the Confederate Depositary at Liverpool; it was a subsidiary of John Fraser & Co. of Charleston. George A. Trenholm, a member of this firm, succeeded Christopher C. Memminger as Confederate Secretary of the Treasury on June 18, 1864.

Arkansas. Confederate States of America Arkansas State Telegraph Company. Stock Certificate, March 3, 1862.

This stock certificate was issued by the Arkansas State Telegraph Company, one of the few Confederate companies to outlast the war.

Commemorative 1908 Reprint of President Lincoln's Letter to Mrs. Bixby. November 21, 1864. M.C. Brown & Co., NY.

Mrs. Bixby of Boston lost five sons in the Civil War. This flag-draped document reproduces President Lincoln's handwritten note of consolation to her, expressing his deep sympathy in one of the great examples of English prose writing.

A detail of one of the Erlanger bonds, tri-valued in cotton, French francs, and pounds sterling.

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