

# The Cover Story

## Postage and Fractional Currency

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By 1862, the U.S. government has issued a lot of paper money to finance the Civil War, yet refused to redeem the currency in coin. This resulted in the initial issue of “Postage Currency” and four subsequent issues of “Fractional Currency.”

On July 17, 1862, President Lincoln signed into law a measure proposed by Treasury Secretary Salmon P. Chase, permitting “postage and other stamps of the United States” to be accepted for all dues to the U.S., and redeemable at any “designated depository” in sums less than \$5.<sup>1</sup> The law prohibited, however, the issue by “any private corporation, banking association, firm, or individual” of any note or token for a sum less than \$5. This law was enacted as an alternate to the reduction of the precious metals content in small coins so they would not be hoarded.<sup>2</sup>

Before the stamps were printed, a decision was made to issue them in a larger, more convenient size, and print them on heavier, ungummed paper. General Francis Spinner, Treasurer of the United States, pasted unused postage stamps on small sheets of Treasury security paper.<sup>3</sup> Congress responded to Spinner’s suggestion by authorizing the printing of reproductions of postage stamps on Treasury paper in arrangements patterned after Spinner’s models. In this form, the “stamps” ceased to be stamps and became fractional Government promissory notes, which were not authorized by the initial enabling legislation of July 17, 1862. The notes were issued without legal authorization until passage of the Act of March 3, 1863, provided for their issuance by the Federal Government.

The initial printing of the first issue (in denominations of 5¢, 10¢, 25¢, 50¢) was released through Army paymasters on August 1, 1862, and was provided for general circulation a few weeks later (**Fig.1, on front cover**). It is the only one of the five issues to be identified as “Postage Currency.”

The stamps reproduced on postage currency were the brown (sometimes buff) 1861 5¢ stamp depicting Thomas Jefferson (Scott 67), and the green 10¢ stamp (**Fig.2, on front cover**) showing George Washington (Scott 68).<sup>4</sup> The 25¢ and 50¢ denominations bear multiple reproductions of the appropriate stamp. Note they were printed in a 5 X 5 format with the faces in a color approximating the color of the genuine postage stamp, and backs printed in black.



Figure 3. Jefferson postage currency perforated (Scott PC1) and imperforate (Scott PC5)

The first issue had both perforated and imperforate (**Fig. 3**). Apparently, the idea of perforated postage currency was a carry-over from the postage stamp printing process, was eventually abandoned, and the notes, printed in large sheets, were cut off with scissors.<sup>5</sup>

Since the Bureau of Engraving and Printing had not yet been established, contracts for printing of the first issue were awarded to private banknote printing companies. The National Bank Note Company printed the face, the American Bank Note Company, the back. The ABCo monogram appears on the backs of some notes.

Authorized by Congress on March 3, 1863, the second issue (October 10, 1863 to February 23, 1867, in denominations of 5¢, 10¢, 25¢, 50¢) of a fractional currency, all but discarded the concept of postage stamp money. The second, third and fourth issue notes continued to have “*Receivable for all United States Stamps*” printed on their face, but the identity of the notes was changed from “Postage Currency” to “Fractional Currency” (**Fig.4**). The notes of the second issue did not bear a reproduction of a postage stamp, although the portrait of George Washington on all these notes is the same that appeared on the 1861 Washington 24¢ stamp (Scott 70). The second issue, as well as the later three Issues, were necessary because of counterfeiting.<sup>6</sup>

Five issues of postage and fractional currency, totaling \$369 million, were printed and released to circulation between August 21, 1862 and February 15, 1876. The Congressional Acts of January 14, 1875 and April 17, 1876, provided for the redemption of postage and fractional currency in silver coins. The outstanding notes remain legal tender and can still be used to purchase goods and services equivalent to their face value.



Figure 4. 50¢ Fractional Currency.

Images are courtesy of Heritage auctions (HA.com). This article was originally printed in *The Collectors Club Philatelist*, 2011, 90(4): 235-237.

### Endnotes

1. All citations of Scott Numbers are from Scott Publishing Co. *Scott 2005 Specialized Catalogue of United States Stamps and Covers*. Sidney, OH: Scott Pub. Co. (2004), p. 710-711.
2. Neil Carothers, *Fractional Money: A History of Small Coins and Fractional Paper Currency of the United States*, John Wiley & Sons, New York. (1930), p. 172.
3. Richard H. Graham, “Postage Stamps Used as Money: Postage Currency Used for Postage,” *The Chronicle*. Vol. 38(3): (1986), pp. 190-194.
4. Anon., “Something about Fractional Currency,” *The Essay Proof Journal*. Vol. 4, No. 2:(1947) p. 114.
5. N. Carothers, p. 178.
6. Krause Publications. “Fractional Currency: Paper Money Substitutes of the Civil War.” [www.numismaster.com](http://www.numismaster.com) (accessed January 12, 2011).