

# COVER STORY

## Historical Instances of Demonetization

by Norman Hinds

I have always been fascinated by the demonetization of U. S. stamps and wanted to know more after I saw a recent Cherrystone auction. On both occasions, there were valid and justifiable reasons for the actions taken. I was wondering who authorized these two actions in 1851 and 1861.

### 1851: The First Issue of Demonetization

The original 1847 stamps (the 5-cent Franklin and 10-cent Washington) were declared invalid on **July 1, 1851**. This was done to accommodate a major reduction in postage rates and the introduction of a new series of stamps following the Act of Congress of March 3, 1851, which lowered the standard letter rate from **5 cents to 3 cents**.

The new rates required new denominations (1¢, 3¢, 12¢), rendering the old 5¢ and 10¢ stamps mathematically inconvenient and obsolete. For a short time, 1847 stamps could be exchanged for the 1851 issue. After that, the dies and plates used for the 1847 stamps were destroyed. The 3-cent rate went into effect in December 1851.

### 1861: The Civil War Demonetization

At the start of the American Civil War, the Federal government demonetized all stamps issued between 1851 and 1860. This move was designed to prevent the Confederacy from selling its stockpiles of U.S. stamps to fund the rebellion. More than \$270,000 in stamps—a huge amount during that era—were believed to be held in the Southern states. This second event was far more chaotic and severe than the 1851 event. Postmasters had only a limited period to swap the outdated stamps for the new 1861 designs before the old ones lost their value.

In August 1861, Postmaster General Montgomery Blair declared all U.S. stamps issued before 1861 (specifically the 1851 and 1857 issues) invalid. The National Bank Note Company rushed to print a new series (the 1861 issue) with slightly altered designs to differentiate them from the "old" invalid stamps. A brief 6-day exchange period was advertised in newspapers. Once this period expired in a specific city, old stamps were no longer accepted. A picture of this original order is below on page 3.

#### “Old Stamps Not Recognized”

This is the most famous demonetization marking. Large city post offices, like **Philadelphia, Chicago,** and **Harrisburg** used specific handstamps with this phrase to reject letters attempting to use 1857 issue stamps. Example on Front Cover of this newsletter.

## Civil War Demonetization Cancels



### “Southern Letter Unpaid”

Used primarily in Louisville, KY, a border transit point. This marking was applied to mail originating from the South that bore invalid U.S. stamps, indicating the postage was void and the recipient had to pay postage due. Example at left.

### Manuscript Rejections

Smaller post offices without custom handstamps simply wrote “Invalid,” “Old Stamp,” or “Stamp No Good” across the envelope in ink and marked the letter “Due 3”.

Because the 1861 demonetization happened abruptly during wartime, postmasters had to manually reject mail franked with “rebel” or obsolete stamps. This created some of the most famous and desirable cancellations in U.S. philately.

Below is a scan of the original decree from the Post Office in 1861. I have not seen one before. It sold for \$2880 + 15% = \$3312. I would be satisfied with a framed printed copy and save the money for a nice cover! It was lot #1 in the 1/26/21 Cherrystone auction, which is in a link below. Check out lots 1-11 that have some wonderful covers with several of the cancels and prices realized per this topic.

<https://stampauctionnetwork.com/x/x01261.cfm#2>

One last link. Richard Frajola has the link below on his website. The explanation of rare items related to the topic is very clear.

<https://www.rfrajola.com/PDR2020/DK1/DK1.pdf>

Will there be another demonetization? I have been worrying lately about this. Think about all the millions or billions of \$ of older US stamps being used now for postage, thus forcing the Post Office to redeem them after having used the original money free for up to 85 years.

*[Editor’s note: Both of the web addresses listed above can be copied and pasted into a browser to view the interesting material.]*

## Post Office Department,

*Finance Office, 1861.*

**Postmaster**

SIR :

You will receive herewith a supply of Postage Stamps, which, you will observe, are of a new style, differing both in design and in color from those hitherto used, and having the letters U. S. in the lower corners of each stamp, and its respective denomination indicated by figures as well as by letters.

You will immediately give public notice, through the newspapers and otherwise, that you are prepared to exchange stamps of the new style, for an equivalent amount of the old issue, during a period of six days from the date of the notice, and that the latter will not thereafter be received in payment of postage on letters sent from your office.

You will satisfy yourself, by personal inspection, that stamps offered in exchange, have not been used through the mails or otherwise ; and if, in any case, you have good grounds for suspecting that stamps presented to you for exchange were sent from any of the disloyal States, you will not receive them without due investigation.

Immediately after the expiration of the above period of six days, you will return to the Third Assistant Postmaster General all stamps of the old style in your possession, including such as you may obtain by exchange, placing them in a secure package, which *must be carefully registered in the manner prescribed by Chapter (39) of the Regulations of this Department.*

*Be careful also to write legibly the name of your office, as well as that of your county and State.*

A strict compliance with the foregoing instructions is absolutely necessary, that you may not fail to obtain credit for the amount of stamps returned.

Instead of sending the old stamps to the Department, you can, if convenient, exchange them for new ones at some city post-office, where large supplies are to be found.

It being impossible to supply all offices with new stamps at once, you will deliver letters received from Kentucky, Missouri, Illinois, Indiana, Ohio, Maryland and Pennsylvania, prepaid by stamps of the old issue, until November 1st ; those from other loyal States east of the Rocky Mountains, until the 1st of December ; and those from the States of California and Oregon, and from the Territories of New Mexico, Utah and Washington, until the 1st January, 1862.

I am, respectfully, your obedient servant,

**A. N. ZEVELY,**

*Third Assistant P. M. General.*