

# **Competing Paper Monies Used in Madison County, Alabama During the Civil War**

*By Richard Jozefiak*

## **Introduction**

The Civil War (1861-1865) caused a great transition in the money used in the United States. The money system in use by the public today, is a direct result of the decisions and changes made in the money supply by the Federal Government during the Civil War. The transition from the antebellum money system (i.e. foreign coin use, local paper money, no national paper currency) to the current money system was very abrupt and dynamic.

Madison County, Alabama experienced a change in its money system that other parts of the country did not during the Civil War. On this county level, I found new information during research that added new knowledge to numismatics and Civil War history. In 1863, Madison County had three different competing legal paper monies in legal circulation at this same time. Photo 1 shows three examples of these circulating paper monies, along with a current paper note for comparison (four notes total). The open use and changing values of these paper currencies was recorded in a local journal that provided new insight into what citizens and soldiers of both North and South experienced in a very small area of the Civil War.

## **Background**

Until the U.S. Congress passed the 1857 bill prohibiting foreign coin usage, it was legal to use foreign coins in the country. Congress then extended the use of foreign coins in the U.S. until 1859. Foreign coin usage was common in the Tennessee Valley due to trade on the major rivers and then the railroads. People were used to foreign coins (mostly Mexican and Spanish silver pieces, but also British and French coins).

The U.S. Mint could not produce sufficient coinage until about the late 1850's. It was very difficult to move U.S. coins to sparsely populated and frontier areas. There was no U.S. Government issued paper money in production until 1861.

Local banks, railroads, insurance companies and others issued their own paper money, (known as obsolete paper money). Paper money and coins were almost never on parity. The value and use of this local paper money was risky by the receiver. The further you got away from the place that issued the paper money, the less value it had. There were no paper money standards in place, and there were thousands of different issues. Confusion reigned with paper money in the antebellum period.

When the U.S. Civil War started in April 1861, most people felt the war would be very short. But by the summer of 1861, people began to hoard their coins

due to uncertainty about the war. The people of Madison County were no different. First gold coins disappeared, then the silver coins and finally the copper or bronze coins. Without a means of exchange, commerce started to come to a halt.

One of the greatest changes in the U.S. money system occurred during this period. The U.S Government and the Confederate States of America (CSA) Government faced a financial crisis on how to fund the war and provide a means of exchange for their populations. The battle of the paper monies began.

The U.S. Government issued their first national paper money notes in 1861, requiring them to be accepted by all. Local issued paper money (obsolete paper money) was taxed heavily by the government so that it would no longer be used. The new national paper money was backed by the “Full Faith and Credit” of the government. This “Full Faith and Credit” is still in use with the paper money of today. Legal tender notes (See Photo 2) were issued beginning in 1862. These were national notes.

The CSA issued their first national paper money in 1861, but each CSA state was a sovereign state, and each state was allowed to issue their own state paper money notes per the CSA constitution. The CSA state issued notes were not on par with each other nor with the CSA national notes. This caused considerable problems with using paper money across the CSA.

Alabama issued their first state notes late, beginning in 1863. Alabama backed its state notes with cotton it collected in the form of payment from people paying state taxes. Alabama state notes were valued more than most other southern state notes because of this backing by a valued asset, cotton.

### **Madison County 1863-1865**

When Madison County was occupied by U.S. Federal Troops again in 1863 (it was briefly occupied in 1862), this brought three different paper monies into competition, each legally circulating for most of 1863, until the Federal Government tried to stop this activity late in 1863, but it continued to the end of the war. Other areas of the conflict did not experience this competition of three legal paper monies.

From 1863-1865, the Madison County/Huntsville (largest city in Madison County) area had in circulation the following:

1. CSA notes (1861-1865) (See Photo 1 for example)
2. Federal notes (1861-on), including fractional currency notes (values less than one dollar to replace coinage) (See Photo 2 & 3)
3. State of Alabama notes (1863-1865) (See Photos 4 & 5)

The value of the three different types of paper money notes changed daily with respect to each other and to “hard money” (i.e. silver and gold coins) depending on the progress of the war. Not only did a person in Huntsville have to find what to buy, but they had to negotiate how payment would be made, what paper money(s) would be accepted by the merchant, and the value of such.

Through the personal journal of Mary Jane Chadick (“Incidents of the War”), who lived in Huntsville, Madison County during the Civil War, a picture of what they

experienced in their daily lives during this time period provides valuable insight into the daily price changes and values of the different paper monies. Her personal journal is both a diary and a household expense record.

The citizens and soldiers faced difficulties trying to use their paper monies in the course of daily life. The sample entry from Mary Jane Chadick gives the values of items in all three paper monies on the same day in Huntsville, AL. With entries in Mary Jane Chadick's journal, she documented the relative changes of the values of the three different paper monies over the time period of the journal.

**From "Incidents of the War" Jan. 29th 1864 entry by Mary Jane Chadick-**

- *Got a barrel of flour from the Feds today through the kindness of Col. McFall. Bought 45 pounds of beef for \$45 in Confed [CSA notes]. A short time since, purchased 40 pounds of sugar for \$120 in the same currency.*
- *A lady called just now with a present of five pounds of crushed sugar and the same of coffee from a cotton buyer. The gentleman offers to purchase my house and lot, with all its appurtenances for 45,000 dollar in Confed, \$15,000 in state money [AL state notes] or \$6,000 in Greenbacks [Union notes]. Oh, for wisdom in this matter! If gold was off, should know what to do. A Fed just called to collect my water tax. Refused, of course, to pay as there has been no water in my hydrant for months.*

Mary Jane Chadick made many daily entries in her journal recording buying items, how she paid, and the value of the money she used. Her journal is very interesting to read, written during a time of war and how a civilian had to deal with it for the sake of her family and others.

The U.S. Federal paper money finally won out when the CSA Government surrendered. The southern states governments were then put under U.S. Military control and their paper monies became worthless. U.S. Federal coinage was valued more than paper money for a number of years after the Civil War. Federal paper money did not regain parity with federal coinage until the late 1870's.

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## **Conclusion**

Madison County in North Alabama experienced something that no other area is known to have experienced during the Civil War. Three different, each legal, paper monies circulated during most of 1863 (and then continued illegally) in a very small area of the war. A local population, both citizens and soldiers, had to deal with daily changes in the value of their paper money. The journal of Mary Jane Chadick of Huntsville, AL provided insight into what the uses and values were for these three different paper monies competing at the same time.

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### **About the Author**

The author has been a coin collector for over 40 years, and a numismatist since 1993. A life member of the American Numismatic Association (LM-6087), the author has published over 100 articles on numismatic topics. He is a national speaker and has given presentations across the country. In August 2013 he received the Numismatic Ambassador Award and in 2011 he was awarded the ANA’s Medal of Merit award. He has served the ANA as a national volunteer from 2015 to the present.

He started and is past president of the Madison County Coin Club, AL. He is a member of many local, regional and national numismatic organizations. He performs appraisals of coin collections at coin shows and for individuals and estates, and currently lives in Gainesville, GA. He lived in Madison County, AL from 2000-2019.

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# Comparison of Notes



Photo 1  
Comparison of Paper Money Used in Alabama

# USA Legal Tender Notes 1862-1923

- ❑ Demand notes of 1861 were replaced by Legal Tender Notes in 1862 (dated March 10, 1862)
- ❑ Could not be used to pay import duties or taxes until after war
- ❑ Printed by Bureau of Engraving and Printing beginning in 1863



ANA Museum Collection

Photo 2  
U.S. Legal Tender Notes

# Fractional Currency

- ◆ Issued by the Federal Government
  - In values less than \$1.00
  - Five major issues, 1863-1876
  - Took place of coins when coins were being hoarded
  - Circulated widely in country



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Photo 3  
U.S. Fractional Currency

# State of Alabama First Fractional Note Issue- 1863



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Photo 4  
State of Alabama Fractional Currency

# State of Alabama Largest Denomination- 1863



<http://www.rebelstatescurrency.com/alabama.html>

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Photo 5  
State of Alabama Largest Denomination