

Paying the Postage in the United States, 1776-1921

Richard C. Frajola, April 2006

Introduction

This presentation will examine the relationship between postal rates in the United States and the mode of payment that would have been used to pay those rates and fees between 1776 and 1921. It is an area of study that requires an examination of coins, currency and tokens, as well as stamps and postal history.

The coins of Great Britain, Portugal, France, and Spain and their dominions circulated widely in the United States with official sanction, most with legal tender status, until 1857 when such status was withdrawn. The American monetary system was based on the silver content of the Spanish eight-reales coins. The multi-tiered postal rates in effect before 1845 were largely based on the circulating eights of these Spanish dollars rather than on decimal divisions.

In 1851 the most-used postal rate was reduced to three cents. The act that reduced the rate also authorized the production of a three-cent coin, now referred to as a trime. This is the first instance of a coin being minted directly to aid in the payment of a postal rate, and a postage stamp, in the United States.

The relationship between postage stamps and money that was initiated with the trime led directly to the emergency measures employed during the Civil War in which postage stamps served as money, and culminated with the issuance of fractional currency in 1862. Following the Civil War, until the Specie Resumption Act of 1875 was passed, paper currency was widely used for conducting small transactions, such as the payment of postage.

When coins with reduced silver content began to be minted in sufficiently large quantities, they replaced the fractional currency. Coin design began a renaissance beginning in 1907 that led to the production of some of the most beautiful coins ever produced in this country. By 1921, when this study ends, new designs for all circulating coins had been introduced and postal rates were stable.

The Period from 1776 to 1791

In the period between 1776 and 1791, there were frequent postal rate changes. These changes were necessitated by the progressive depreciation of the paper money that was in circulation. Although postal fees were expressed in pennyweights and grains of silver, this was an accounting measure only, as there was very little circulating silver. In many instances the one-penny (two cents) delivery fee was paid using copper tokens that circulated widely.

In 1784 Thomas Jefferson advocated to Congress a simple dollar that would be equivalent to the Spanish "pillar" dollar in value. However, its divisions would be on the decimal system rather than on eighths. In 1792 a bill was passed that provided for monetary units to be expressed in dollars,

dismes, cents and milles. The weight of the new dollar was fixed at 416 grains of silver at a standard purity of 89.2%, closely corresponding to Spanish pillar dollar.



Figure 1. 1787 copper "Fugio" cent

The first coins issued under the authority of the Continental Congress were the “Fugio” copper cents (Figure 1). They were so-named because “Fugio” (I fly) is inscribed on the front in conjunction with an illustration of a sundial. The reverse bears the inscription “Mind Your Business.” Both slogans have been attributed to Benjamin Franklin. Minted privately for the government in New Haven, Connecticut and Newburgh, New York, with designs as stipulated by a July 6, 1787 Resolution, four hundred thousand of the cents were delivered in 1788. These coins were slightly under the legally stipulated weight and saw limited circulation. The remainders were sold on credit to a New York merchant, Royal Flint, for about one-third of face value on July 9, 1789. Later that same month a copper panic devalued most coppers by about seventy-five per cent. As a result, Flint landed in debtor’s prison.

The Period from 1792 to 1850

In 1791 Congress passed a resolution that a mint be established, and in 1792 a building for that purpose was erected in Philadelphia. The postal service had been inaugurated in 1789 when Washington appointed Samuel Osgood as the first postmaster general. New postal regulations became effective in June 1792, and all of the postal rates were now expressed in cents. Although coins from numerous foreign countries circulated in the United States, those minted in Spanish America were generally used to pay postage.

The Spanish colonial silver coins minted in the Americas between 1732 and 1823 were of uniform high quality, as were the coins minted in the former dominions after independence. The silver coinage included 8 reales (dollar), 4 reales, 2 reales, 1 real (one bit), $\frac{1}{2}$ real (picayune) and $\frac{1}{4}$ real (cuartilla) pieces. The term “bit” is a holdover from the days when Spanish coinage was literally clipped to smaller size, or minted on smaller irregular planchets.

The minting of the “pillar” type coins continued until 1772 when the design of the obverse was replaced with a portrait of the reigning king. Portrait coinage of Charles III was minted in Mexico from 1772 until 1789; of Charles IV from 1789 until 1808; and of Ferdinand VII from 1808 until 1823. Following the Mexican War of Independence, coinage continued and these Mexican coins circulated widely in the United States.

The various Spanish American coins that saw circulation in the United States are listed in the following table.

Denomination	United States Equivalent
8 escudo (gold) (doubloon)	\$16.00 (value varied with value of gold)
1 escudo (gold)	\$2.00
½ escudo (gold)	\$1.00
8 reales (silver) (dollar)	\$1.00
4 reales (silver)	50¢
2 reales (silver) (2 bits)	25¢
1 real (silver) (1 bit)	12½¢
½ real (silver) (picayune)	6¼¢
¼ real (silver) (cuartilla)	3¢

Coins minted by the United States were notably scarce in the period before 1851 (Figure 2). Most of the silver was coined into half-dollars, which were used primarily between banks for exchange. The majority of the gold coinage was melted down for bullion. Only the quarter-eagle (\$2.50) saw much circulation. Large-format cents and half-cents did circulate even though they did not have legal tender status.

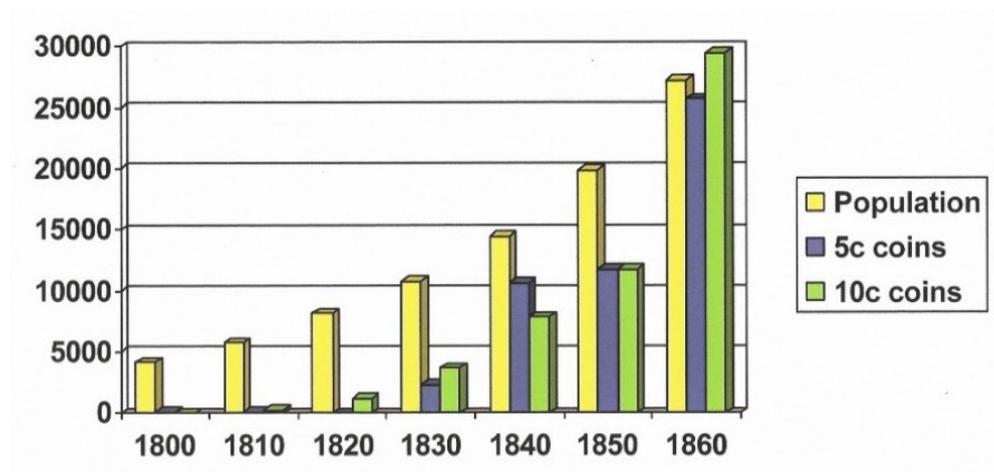


Figure 2. Graph showing inadequacy of circulating U.S. coins (population numbers and all values in thousands)

During this period, the postal rate structures reflected a mixture of both fractional and decimal rates. A large number of the domestic letter-mail postal rates conformed to the denominations of circulating Spanish colonial coinage as noted below.

Year	Number of rate steps	Steps that conformed to Spanish coins
1792	nine	three: 6¢, 12½¢, 25¢
1799	six	two: 12½¢, 25¢
1815	six	two: 18¾¢, 37½¢
1816	five	three: 6¢, 12½¢, 25¢
1825	five	four: 6¢, 12½¢, 18¾¢, 25¢
1845	two	none

In addition to these, a steamship rate, the intra-California letter rate, all of the Texas Republic rates before 1845, and most private mail service rates were expressed in amounts that conformed to the denominations of Spanish colonial coins.

During this period, and continuing beyond 1855 when the prepayment of domestic postage was required, it was common for letter mail charges to be accumulated on account rather than be paid on an individual letter basis. Most deputy postmasters only rendered their accounts and payments to the department on a quarterly basis, which allowed them to extend credit to their postal patrons. As a result, the postmasters might collect total postage due on a monthly, or even quarterly, basis. Also, postmasters were able to increase their income by renting boxes for the receipt of mail, which aided in keeping track of amounts of postage that were due. When these credit accounts in larger sums were paid to a postmaster, paper currency backed by local institutions was most often used.

In the United States, the use of postage stamps to indicate prepayment of postage began in 1842 when a private local post in New York City began selling its labels to accommodate patrons who wished to drop their mail in collection boxes rather than take them to an office for posting. Stamps were available individually for three cents or in sheets of 100 for \$2.50. After seven months of operation, the City Despatch Post was purchased by the post office and became a government mail carrier. Thereafter, the use of postage stamps expanded rapidly. In 1844 several independent mail companies began handling mail between cities at rates significantly less than the government, usually 6¼ cents, and most of the companies issued their own adhesive stamps.

In July 1845 the government postal rates were reduced to five cents for distances to 300 miles, and the activity of the independent mail companies was suppressed. A few postmasters issued their own stamps but there was no federal issue until 1847 when the first United States stamps were released.

The Period from 1851 to 1860

A March 3, 1851 Act of Congress reduced the postal rate for a single letter sent under 3,000 miles to three cents and also authorized the first issuance of a three-cent coin (Figure 3). The coin, designed by James Longacre, was the first decreased-value silver coin minted in the United States. Its public acceptance led to the further reduction of silver content in United States coinage. In 1853 all silver coinage less than one dollar began to be minted at the same reduced silver content of the trime, 92% of nominal value.



Figure 3. 1851 silver trime, pattern for trime, trime stamp

All fractional silver coins were therefore subsidiary as they had an actual silver value less than their nominal face value. This drove all prior silver coinage from use and resulted in the virtual disappearance of silver coins. Sir Thomas Gresham's Law may be stated as "bad money drives out good money." This certainly happened in the United States after 1853. Later, in 1857, an act authorized the new, smaller-sized cents to be minted.

This process, coupled with an increasing supply of the new coins that tended to stay in circulation longer, led to the ability of the government to withdraw legal tender status for all foreign coins in 1857. The three-cent postal rate, which could be prepaid with either a Spanish cuartilla or a trime, henceforth had to be purchased with United States coins. A three-dollar gold coin was first minted in 1854, ostensibly to facilitate the purchase of complete sheets of one hundred three-cent stamps. During this period, there was a large increase in mail sent to, and received from, foreign countries. The higher postal rates necessitated higher denomination postage stamps. By the end of 1860 there were eight denominations, with values to ninety cents, in circulation. In addition, postal stationery envelopes preprinted with an indication of the postage amount paid were first issued in 1853. These were intended to be purchased in bulk by business users at a slight advance over the imprinted stamp value. Primary users were the private express and steamboat companies that were required to use them on all mail they handled. The government was thereby assured payment on such private mail even though they did not carry it. The miners who participated in the California gold rush relied heavily on such private expresses to carry their mail.

The Period from 1861 to 1865

In August 1861, a new series of postage stamps was required because large numbers of the previously issued stamps remained in the hands of southern postmasters. In addition, there was increased importance placed on rapid postal communication between East and West. Mail routes connecting the two coasts were moved northward, and the Pony Express carried important

communications to and from California. Private expresses were heavily utilized to get valuable letters to and from troops in the field.

The outbreak of the Civil War also caused a new set of problems that affected the supply of both money and postage stamps. In the North, silver was hoarded, or exported to Canada, and by July 1862 silver coins had almost disappeared from the normal channels of commerce. In addition to the many different forms of privately produced “money” and tokens, a July 17, 1862 Act of Congress authorized postage stamps to be used as fractional currency. This was in preference to reduced-value metallic coins or tokens, making stamps receivable in payment of all dues to the United States under five dollars.

As postage stamps were not ideal as a circulating medium of exchange, some manufacturers, such as T. R. Dawley of New York City, produced small envelopes to safe-keep postage stamps (Figure 4). A better solution was offered by John Gault, who in 1862 patented the idea of encasing postage stamps in metal frames, with mica covered windows, to be used as small change (Figure 4). Merchants purchased them and advertised on the reverse.

The government initiated a program of printing postage currency, stamp money, in August 1862. The designs incorporated United States stamps, and the notes soon replaced stamps (Figure 4). The Post Office Department began the redemption of the remaining postage stamps that had circulated as money in December 1862. The New York City post office alone redeemed over \$205,000 in stamps before the program was terminated on January 20, 1863. In 1862 the first federal one-dollar legal tender note was also issued.



Figure 4. Dawley stamp envelope, 10¢ Gault encasement, 10¢ fractional currency

Additional issues of fractional currency were authorized during the war, and these served well as an emergency circulating medium of exchange. However, because some postal conventions with foreign countries required an accounting in silver, and silver was valued higher than the paper currency, postal rates on certain inbound postage due mail required postal markings that reflected the increased amount due. These are termed “depreciated currency” markings. Most showed the rate if paid in silver as well as the rate if paid in paper notes. Some just showed the amount due in notes, as that was the mode most often employed in payment.

In the South, silver disappeared instantly at the commencement of the war, and paper currency was relied on throughout the period.

The postal system was also profoundly impacted by the war. In June 1861 the Confederate States inaugurated their own postal service to replace the discontinued service that had been provided by the federal post office. Individual postmasters issued their own provisional stamps before the first general issue for the Confederate States of America was released in December 1861.

The Period from 1866 to 1921

After the Civil War had ended, the effects of the fiscal strategy of the government in financing the war were still felt. Fractional currency continued to be issued in an effort to alleviate the long-lasting effects of the silver depletion. By 1875 there was an adequate supply of coins, and the Specie Resumption Act was passed. This act aimed at restoring a more stable monetary system.

At the end of the war, post offices in the South that had been discontinued were re-established. The three-cent postal rate for a domestic letter that had been in effect since 1851 was reduced to two cents in 1882. This remained the rate throughout the period except for a brief increase implemented in 1917. In 1893 the first commemorative series of postage stamps was issued in conjunction with the Columbian Exposition in Chicago. Special commemorative twenty-five-cent and fifty-cent coins were also minted. In 1911 the first official airmail was carried, and in 1918 regular airmail routes were established. This premium service was inaugurated at increased postal rates.

A true renaissance of coin design began in 1907 with the minting of the new eagle and double-eagle gold coins that were designed by Augustus Saint-Gaudens. With the introduction in 1921 of a new design for the silver dollar, all coins being minted were brought up to a new, higher design standard.

Selected Bibliography

Books related to money in the United States

Breen, Walter. *Walter Breen's Complete Encyclopedia of U.S. and Colonial Coins*. New York: Doubleday, 1988.

Crosby, S. S. *The Early Coins of America*. Boston, 1875 (reprinted 1945, 1965, 1975).

Doty, Richard. *America's Money, America's Story*. Iola, WI: Krause Publications, 1998.

..... Editor. *The Token: America's Other Money*. New York: American Numismatic Society, 1995.

Friedberg, Robert. *Paper Money of the United States*. Iola, WI: Krause Publications, 1978.

Fuld, George and Melvin. *Patriotic Civil War Tokens*. Third Edn. Whitman. Racine, WI, 1965.

Hepburn, A. Barton. *A History of Currency in the United States*. New York, Sentry, 1967.

Judd, J. Hewett. Q. David Bowers Ed. *United States Pattern Coins*. Atlanta, Georgia, Whitman Publishing, Eighth Edition, 2003.

Krause, Chester L., and Mishler, Clifford. Colin R. Bruce II Ed. *Standard Catalog of World Coins, Centennial Edition*. Iola, WI. Krause, 1991.

Newman, Eric P. *Studies on Money in Early America*. American Numismatic Society. New York 1976.

..... *The Early Paper Money of America*. Racine, WI: Whitman, 1967.

Rulau, Russell. *Standard Catalog of United States Tokens 1700-1900*. Krause Publications. Iola, WI, 1994.

Shilke, Oscar G and Solomon, Raphael E. *America's Foreign Coins*. New York: The Coin and Currency Institute, 1964.

Yoeman, R. S. Bressett, Ed. *A Guide Book of United States Coins*. Western Publishing. Racine, 1990, 1996.

Books related to postal rates in the United States

Phillips, David G., editor. *American Stampless Cover Catalog: The Standard Reference Catalog of American Postal History*. North Miami, FL: David G. Phillips, 1985.

Skinner, Hubert C.. *The New Dietz Confederate States Catalog and Handbook*. Miami, FL: Bogg & Laurence Publishing, 1986.

(Post Office Department). *United States Domestic Postage Rates, 1789 to 1956*. Washington, D.C., 1956.

Starnes, Charles, J. *United States Letter Rates to Foreign Destinations*. Louisville, KY: Leonard Hartmann, 1989.