



## Confederacy had serious fiscal woes

BY RANDY KOCH



*A copy of Upham's \$5 "fac-simile confederate note."*

Little doubt exists that a deficiency of manpower and material resources led to the South's defeat. Though playing against a

stacked deck, the Confederacy, especially with economic decisions, on occasion willingly tossed away valuable face cards.

As the brash Southerners drove the Northerners from Fort Sumter, they moved forward with their plans for a new country, confident the Yankees lacked the stomach for a protracted war. To counteract the Union blockade, the Confederacy unofficially refused to ship cotton to England and France, confident the action would force the European powers to recognize the Richmond government and lend their support.

The strategy failed miserably for a number of reasons. In an era when governments backed their paper currency with precious metals, the South sorely lacked gold and silver reserves. Cotton, their primary source of collateral, now remained stored in Southern warehouses.

The South's financial woes continued as they began printing their own currency. Initially, the Confederacy actually contracted a New York City firm to print their money, a practice quickly halted by Northern officials.

The Rebels then hired nine different firms to continue production. Shortages of quality paper and raw materials to make the plates soon plagued the process. Much to Treasury Secretary Christopher Memminger's dismay, the government also required each note, regardless of denomination, to be signed individually by one of the 262 treasury clerks.

Whereas the North mandated that their national currency, the greenback, be accepted as legal tender, the Southern states stubbornly refused to do likewise with their national currency, the grayback. Throughout the war, Southern states' reluctance to surrender power to a central government on a number of issues hampered the Confederacy.

The South also boldly promised redemption for coin six months after the ratification of peace between the Confederate States and the United States. Noble at the outset, this only served to increase inflation as prospects for victory waned.

Each of these practices lay the foundation for counterfeiting Confederate money. On Feb. 24, 1862, Samuel Upham's curiosity became aroused with the public's demand for the Philadelphia Inquirer. At the time, the merchant sold stationary, newspapers, and cosmetics. He discovered on that day that the Inquirer displayed a facsimile of a Confederate \$5 bill.

The entrepreneur, who briefly cornered the pickle market in San Francisco during the California gold rush, now envisioned a new opportunity. He rushed to the

Inquirer's office, purchased the plate, and began selling his souvenirs to an eager public for 1¢ each.

Along the bottom margin he printed, "Fac-simile Confederate Note—Sold Wholesale and Retail by S. C. Upham, 403 Chestnut Street, Phila". Of course, nothing could prevent anyone from traveling south and trimming off the statement.

Upham's simple retail operation exploded into a highly profitable wholesale enterprise. His May flier claimed he already sold 500,000 facsimiles. Such public advertisements incorrectly convinced Confederate officials, including Jefferson Davis, of the Northern government's "connivance at least, and probably complicity" in counterfeiting.

Southern newspapers lambasted the unscrupulous undermining of Confederate currency, which only served to promote the practice. The poor quality of genuine Rebel currency, printed by a number of firms, and signed by over 200 Treasury clerks, allowed for relatively easy counterfeiting. Often, bogus bills were identified by their crisp, clear images compared to the shoddy authentic article.

Many individuals before, during, and after Upham practiced counterfeiting. He faced competition from Cuba, Bermuda, and Mexico, besides from fellow Northerners. A price war developed with New Yorker Winthrop Hilton, referred to as a lithographer, counterfeiter, and pornographer.

In October, 1862, Hilton advertised \$4 per 1000 bills in Harper's Weekly, vastly undercutting Upham's previous \$40 per 1000. The two continued battling, with Upham eventually offering \$20,000 in Confederate money, postage included, upon receipt of \$5.

All businesses need a market for their products. Union soldiers marching south, and earning only \$13 per month, readily purchased the fake money. Cotton smugglers, who realized enormous profits utilizing legitimate currency and coin, had no reservations about purchasing the valuable commodity with counterfeits.

In a sense, Upham brought about his own demise. By mid 1863, the grayback had devalued so drastically, in part to widespread counterfeiting, that the successful businessman chose to go onto to more lucrative ventures.

His chief rival unfortunately chose to continue. On Dec. 31, 1863,

U. S. marshals arrested Hilton and an accomplice for producing currency for the Confederacy. When arrested, Hilton had over \$6 million in Confederate bonds and \$1 million in Confederate notes. By the end of April 1864, Hilton had been cleared.

Hilton, the grayback counterfeiter, had been set up by a series of coded counterfeit Confederate messages, implying that the Rebels had paid him a large sum to engrave and ship legitimate plates to Richmond. As planned, the messages fell into Union hands, and once decoded led to his arrest, putting Hilton out of commission.

The elaborate scheme does emphasize the negative impact counterfeiting had on Confederate currency. At times, legitimate currency could not be produced rapidly enough to keep pace with inflation. Secretary Memminger even floated the idea of accepting counterfeit as legitimate currency.

As the war continued, the greenback became an accepted form of currency in the South, and with some vendors, the only accepted form. The South now also faced an invasion of Yankee dollars. In 1864, the Confederacy prohibited its citizens free or otherwise—from dealing in the enemy's paper currency.

With or without counterfeiting, the South was destined to lose the war. Sources indicate that through 1864, the Richmond government derived only 5% of their funding from taxation. The fact that by war's end the Confederacy put \$1.5 billion into

circulation shows the level they attempted to use the printing press to solve their dilemma.

In an interview in 1874, Samuel Upham, who continued to be a well respected businessman, claimed that alone he produced \$15 million of “souvenir money”. If so, we can only speculate with the numerous sources spreading bogus funds throughout the South, what percentage of Confederate currency actually was legitimate.

*For the reader's future reference, information for this article came from Ben Tarnoff's "Moneymakers" and Stephen Mihm's "A Nation of Counterfeiters."*

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