

### The Monetary Crisis of the Fall of New Orleans

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## Feature Essay

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Niall Ferguson has argued that, more than any other event, the capture of New Orleans in late April 1862 was the true turning point of the American Civil War. The South’s loss of its largest port and its consequent inability to export cotton effectively torpedoed the market for cotton-backed Confederate bonds and ended any hope of raising badly needed foreign capital to prosecute the war. Starved of funds, the Confederate government (as well as various states, municipalities, and forgers) had no choice but to print massive quantities of unbacked paper money to finance the war effort, thereby causing runaway inflation and general economic collapse.<sup>1</sup> But long before those events came to pass, the fall of New Orleans precipitated other more immediate financial crises for the Confederacy, such as the loss of eight million dollars in badly needed gold and silver coin still locked in the vaults of bankers whose loyalty to the Confederacy was questionable at best.<sup>2</sup> For the citizenry at large, the panic buying and hyperinflation that one would expect of a city about to experience an uncertain occupation was compounded by a controversial general order (no, not *that* one) from Maj. Gen. Benjamin Butler that radically transformed the nature of money almost overnight, forcing residents to adjust to the new reality of commerce in creative ways. Two fascinating sources in the LSU Libraries Special Collections document this monetary crisis, one from a New Orleans grocer whose business both suffered and prospered from the calamity, and the other from a Federal soldier who both observed the fluctuating value of money and fortuitously discovered the benefits of bartering in the wake of the city’s fall.

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<sup>1</sup> Niall Ferguson, *The Ascent of Money: A Financial History of the World* (New York: Penguin Press, 2008), 92-97.

<sup>2</sup> Douglas B. Ball, *Financial Failure and Confederate Defeat* (Urbana: University of Illinois Press, 1991), 126-129.

H.A. Snyder, a native of New York and a small merchant engaged in the grocery business in New Orleans, kept a diary for the year 1862.<sup>3</sup> On Friday, April 25, which he dubbed “Gloomy Friday” in his journal, Snyder acknowledged Admiral David Farragut’s successful passing of Forts Jackson and St. Philip, writing, “the five bells throughout the city rung the general alarm, twelve times, twelve strokes, which was the signal that the enemy was approaching.” On that day, the Confederate Guards, a Louisiana militia unit to which Snyder belonged, was sent by train some eighty miles north to Camp Moore on order of Maj. Gen. Mansfield Lovell, the military commander responsible for defending the city. The Confederate Guards proved an unwilling outfit, grumbling and blaming Lovell for taking them away from their families who remained in the city, so those who did not want to stay were discharged on April 30 and returned to New Orleans by train the next day. Snyder was among the returnees, arriving in the city at six o’clock in the evening and quickly reuniting with his wife and children. A half hour later, Union soldiers marched into the city. Evidently, the Snyder family harbored unionist sentiments, because “Phebe’s joy was almost unbounded when she saw the beautiful Stars & Stripes floating proudly at the head of the column.”

Snyder returned to work to find customers continuously flooding his store in search of groceries. On May 5 he wrote, “In the afternoon, went around among my grocer acquaintances to learn the price of goods. There is but very little provisions of any kind in the city.” The prices of flour, fresh meat, bacon, coffee, sugar, rancid butter “(there is none good in town)” all hit unbelievable highs. Uncertainty about the money supply worsened the situation, for on May 6, “Went about town attending to business. Had a long round hunt for sugar & rice—very few holders are willing to sell under the present unsettled state of our currency.” The worries continued the next day: “Collected bills of Meekins, Kelley & Co. they paid me in Confederate treasury notes & shinplasters, which are rather doubtful now.” Nonetheless, Snyder continued to buy as much as he could and tried unsuccessfully to collect on debts.

Everything changed on Saturday, May 17:

In this morning’s papers appears an order from Genl. Butler prohibiting all traffic in Confederate notes or bonds on & after the 27<sup>th</sup> inst under a penalty of confiscation of

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<sup>3</sup> H.A. Snyder Diary, Mss. 2198, Louisiana and Lower Mississippi Valley Collections, LSU Libraries, Baton Rouge, La.

property, one fourth to go to the informer.<sup>4</sup> In consequence of said order citizens having such treasury notes on hand are very anxious to get rid of them. Everybody seems to be out today purchasing something with Confederate money. My store has been crowded all day until about 4 P.M. when Phebe closed the front doors with customers anxious to buy something to eat, regardless of the high prices charged for goods today.

On Monday, May 19, after spending the morning making purchases for the store with Confederate money, Snyder wrote,

Opened store about 10 A.M. & commenced to regulate things, but had no chance. Customers began to pour in & the store was crowded till about 4 P.M. Closed the front doors about 3 P.M. but could not get the crowd away till about 4 o'clock, then went to dinner, but was called away twice to deliver some goods & finally left without finishing dinner. Customers would slip in by crowds whenever the door was opened & kept me busy till near dark. Had one white man & two negroes helping me today—cash sales about \$300.00 in Confederate notes. The enormous high price of goods don't check the purchasers.

Despite closing the next day to put the store in order, desperate customers still wormed their way into the shop.

At the close of business on Saturday, May 24, Snyder remarked how exceptionally busy his store had been the past week, as well as other stores that accepted Confederate money. High prices didn't matter. "My recei[p]ts have averaged through the week from \$250.00 to nearly \$800.00 per day—about one half being net profit." The panic buying continued as the deadline neared. He collected nearly \$800 on Monday, May 26, and purchased sugar and groceries "to be paid for in Confederate money this eve[n]ing or tomorrow morning."

The rush ended predictably. Writing on Saturday, May 31, Snyder reflected,

Business has been quite moderate through the week since Monday—yet I have had enough to do with the assistance of one colored man. A number of persons have called on me since Monday with Confederate money to buy groceries, saying that was all the money they had. I was willing to receive their money to relieve their distress, but did not dare to. So I went to Genl. Butler to get his permission to receive it, but he refused sternly & positively.

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<sup>4</sup> This was General Order No. 29, dated May 16, 1862. General Order No. 30, dated May 19, 1862, mandated that banks cease paying out Confederate notes to their depositors, but use only bank bills, greenbacks, gold, or silver. *The War of the Rebellion: A Compilation of the Official Records of the Union and Confederate Armies* (Washington: GPO, 1886), Ser. I, vol. 15, pp. 426, 437-438.

Luther M. Fairbank was a farm laborer from Ware, Massachusetts, who enlisted as a private in Company D of the 31st Massachusetts Infantry Regiment, which was organized in Pittsfield, Massachusetts, in late 1861.<sup>5</sup> The regiment served primarily in the Department of the Gulf and was aboard the flotilla witnessing the bombardment of Forts Jackson and St. Philip. Writing to his sister on May 1, he described the considerable yet surprisingly ineffective firepower of the now-surrendered forts, musing on how the Union navy ever managed to pass them: “Either they did not want to fight or they were poor marksmen it was the former I guess for our Leut. told us that 400 raised mutiny and refused to fight,” subsequently “there was about 250 prisoners [sic] who took the oath of allegiance and gave three cheers for the Union.” Fairbank’s company was the first to land at New Orleans (“We had no trouble at the least there were no flags flying but they were insulting as could be they call us all names that could be thought of”) before escorting Gen. Butler and his staff into the city to the customhouse.

About a week later, writing on May 11, Fairbank described the desperate condition of the city,

We don’t take much of an insult from them now but if any man cheers for Jeff or Beauregard we take him prisoner [sic] so it makes things pretty still but the greatest of it is that they won’t take their own money. Gen. Butler gave them leave to use it for the present for you have read his proclamation before now but there is the greatest jawing about the dammed shin plasters.<sup>6</sup> They all hate to take it now. I think they will get it out of circulation on their own hook if they keep on we live just about as we are a mind to here for we can take our hard crackers for we draw 8 a day and trade them for sugar molasses segars [i.e., cigars] oranges any such thing to tell the truth the people here are in a starving condition they are ready to take any things we have left that other ways we should throw away and they do pick up the pieces of crackers that are thrown into the street if what we see here in New Orleans is a specimen of secession it is in a hard fix.

The usefulness of hard tack for currency still persisted two weeks later. Fairbank wrote on May 24, “What do you think of it? We have got our wash women each man in the company pay \$1.00 a month for the washing and she draws her rations besides. We live high and sleep in

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<sup>5</sup> Luther M. Fairbank Letters, Mss. 4909, Louisiana and Lower Mississippi Valley Collections, LSU Libraries, Baton Rouge, La.

<sup>6</sup> Butler’s proclamation of May 1, 1862, made upon the surrender of the city, permitted the circulation of Confederate currency because they were “in a great measure the only substitute for money which the people have been allowed to have, and that great distress would ensue among the poorer classes if the circulation of such notes were suppressed, such circulation will be permitted so long as any one may be inconsiderate enough to receive them till further orders.” *The War of the Rebellion: A Compilation of the Official Records of the Union and Confederate Armies* (Washington: GPO, 1882), Ser. I, vol. 6, p. 719.

the garret after eating all we have to do is to just pass out 2 hard crackers and get a cegar our crackers are as good as money here for such things.”

About a month later in early June, Fairbank addressed his sister,

You wrote about sending you some relics of the war I have sent you when I first came to the city I sent you some rebel papers and letters and postage stamps and \$2 D[ollar] shinplaster that money is just as good as a \$2 bill of Ware bank is there I don't know whether you have received them or not now I will send you a picayune as 5 cts is called here there being no silver they have to use paper money I want you to keep it and not carry it in your pocket for I shall want it to remember.

Outlawed Confederate currency rapidly was becoming merely an aid to memory for the people of New Orleans as well, and in less than three years, this worthless paper money similarly would become no more than a familiar curiosity for the entire South.

*Hans Rasmussen received an MA degree in history from Louisiana State University and an MLIS degree in archives and records enterprise from the University of Texas at Austin. He worked as an archivist and catalog librarian at the University of Southern Mississippi until 2006 when he joined the Louisiana State University Libraries. He has served as Head of Special Collections Technical Services in the LSU Libraries since 2013.*