

The Confederate States of America Cotton Loan Bonds

by EDWARD SCHUMAN

Several books have been written on the subject of the financial paper of the Confederate States of America. The worthless currency of the South, once used for wallpaper, today has established merit and value. In many cases, the value is in excess of the original face value. Confederate bonds have been caught in the recent scrippophily boom. As a result, items not often seen are beginning to surface. One such item is the Cotton Loan Bond.

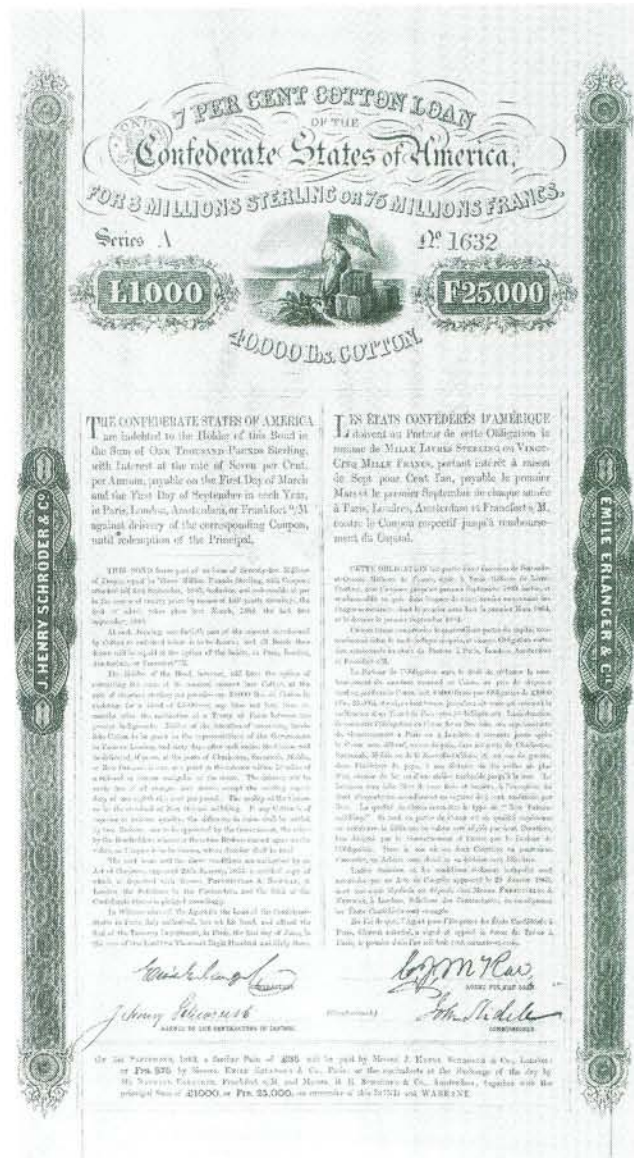
The bond is imprinted with the names of two prominent banking houses of this era, *Emile Erlanger & Cie.*, and *J. Henry Schröder & Co.* (Schroeder). The family name D'Erlanger or Erlanger is a highly respected one of several generations of European Jewish bankers. Raphael Erlanger was born in Frankfurt, Germany in 1806. He was an apprentice at the Rothschild's banking house and eventually established his own bank, Erlanger and Sons. The Erlangers became a part of the European banking elite. Raphael Erlanger received honorary titles from the rulers of Portugal, Austria and Saxe-Meiningen. Three sons joined in the banking operation. Victor managed the Vienna branch and Frederick-*Emile*, the Paris branch. Ludwig took over the original Frankfurt operation, later merged into the famous Dresdner Bank in 1904.

The Schroeder name was also well known in banking circles. J. Henry Schroeder was an established London banking house. B.H. Schroeder operated a banking establishment in Amsterdam, Holland. In partnership, these two banking houses floated one of the largest loans to the Confederacy.

While the Civil War created many hardships for people of both sides of the struggle, it created tremendous economic havoc in the commodity markets of Europe. The primary export of the South was cotton. The entire world was dependent on the cotton production of the South. With the northern blockade of southern ports, the avenue of shipping was greatly curtailed. Only small, swift ships were able to avoid the northern warships guarding the southern ports. While some blockade runners did manage to elude the north, by and large the blockade was effective.

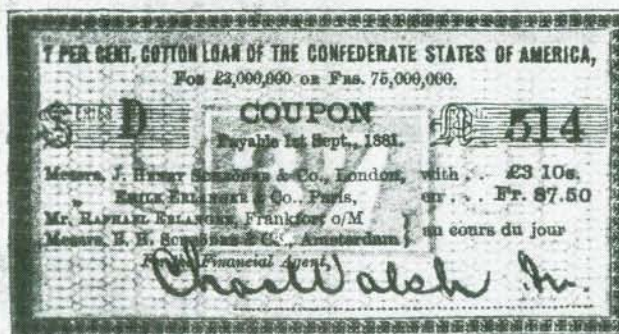
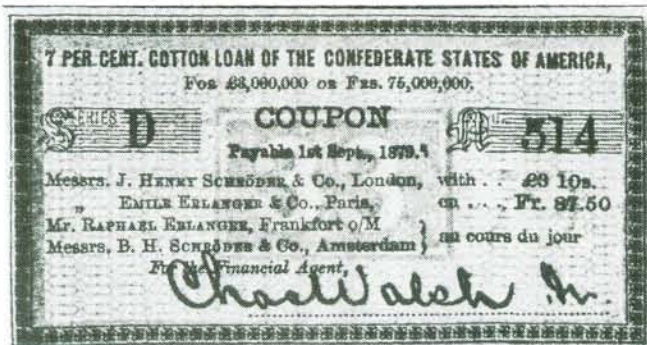
English cotton prices in 1860 were averaging six pence a pound. By 1861, they were up to 15 pence a pound; they reached levels of 30 pence a pound by 1863. The cotton famine touched off wide unemployment and poverty in the cloth manufacturing regions of England. The extent of economic ruin was disastrous. It was this dependency on cotton that led England and other European countries to support the South in its war for independence.

One of the visionary schemes to raise money for the South was the seven per cent Cotton Loan Bond of the Confederate States of America. There were several issues, and three denominations: £100 or Fr. 2500, £200 or Fr. 5000, and £1000 or Fr. 25000. The bonds were part of an issue of three million pounds sterling—seventy five million francs. The unique feature of the bond is the convertibility to cotton. Holders had the option of converting the bond to cotton based at the price of six pence a pound. Forty thousand



The Confederate States seven per cent Cotton Loan Bond.

pounds of cotton could be exchanged for the £1000 bond. The bond reads, "At any time not later than six months after the ratification of a Treaty of Peace between the present belligerents." Notice of the intention of converting the bond to cotton was to be given to the Confederate representatives in Paris or London. Sixty days after such notice, the cotton was to be delivered, if at peace, at the ports of Charleston, Savannah, Mobile or New Orleans, and if at war, at a point in the interior within ten miles of a railroad or stream navigable to the ocean.



Coupons from the Cotton Loan Bond.

A unique clause was inserted as to the quality of the cotton. "If any Cotton is of superior or inferior quality, the difference in value shall be settled by two Brokers, one to be appointed by the Government, the other by the Bondholder; whenever these two Brokers cannot agree on the value, an Umpire is to be chosen whose decision shall be final."

The bond is imprinted both in English and French. It is signed by Émile Erlanger and J. Henry Schroeder, both names also appearing on the sides of each bond. It is impressed with the Great Seal of the Confederacy Treasury Department and countersigned by two agents of the government. It also bears an English embossed tax stamp of two shillings as required by British law.

A further incentive was a cash bonus on September 1, 1883, the principal due date. An extra sum of three pounds ten shillings was to be paid by J. Henry Schroeder in London, or Fr. 87.50 by Erlanger in Paris. This is on a £100 bond, with double for the £200 and ten times for the £1000 bond. The equivalent in exchange was payable paid by Messrs. Raphael Erlanger in Frankfurt and Messrs. B.H. Schroeder and Co. in Amsterdam.

The bond contained 40 coupons, each inscribed with the date of interest payment. Four coupons have been clipped from my specimen and redeemed for the interest. Coupons from a £100 bond are illustrated.

With the surrender of the South, the bond became worthless. The fact that worthless bonds of this nature exist is beyond comprehension. In due respect, the printing is far superior to any other Confederate bond. The fine rice paper has withstood the ravages of time. The vignette is sharp and clear and portrays a woman dressed in a long, flowing gown leaning against several bales of cotton at the ocean's edge. A three-masted sailing vessel is in the distance. The woman is holding a flag with 13 stars and three broad stripes.

The oft-repeated phrase, truth is stranger than fiction, certainly can be applied to the value of these bonds. The prices asked at English dealers for these would leave you to think that they still had the convertible feature. Believe me, we were there last September.

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