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ESSAYS ON

The Monetary History of

the United States

BY

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TO

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PROFESSOR OF GREEK IN BOSTON UNIVERSITY

THIS BOOK IS DEDICATED

AS A MARK OF GRATITUDE AND AFFECTIONATE REMEMBRANCE

BY HIS FORMER PUPIL

THE AUTHOR

PREFACE

The three essays in this volume are based upon

a part of the materials that the author collected

some years ago, when lecturing upon the mone-

tary and financial history of the United States.

They are now published in the hope that they will

prove to be of some value to students and investi-

gators in this field. The author desires to make

grateful acknowledgment of the constant aid re-

ceived from his wife, who has devoted several

months to the work of gathering materials and

assisting in the preparation of the book.

CHARLES J. BULLOCK.

WiLLIAMSTOWN, MASS.,

August, 1900.

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Part I

THREE CENTURIES OF CHEAP MONEY

IN THE UNITED STATES

CHAPTER I

INTRODUCTION

At the present day, after all the discussion that

has occurred upon the subject, it is certainly diffi-

cult to present anything that is wholly new or origi-

nal concerning the monetary problems that have

vexed the United States. But it may prove worth

cm" while to undertake to review and interpret

familiar historical events in the light of certain

primary facts, the full significance of which has

seldom been appreciated in sufficient measure.

These facts are, first, that a strong movement in ^

favor of cheap money has existed continuously in

this country from the earliest period of coloniza-

tion ; and, second, that the persistence of such an /

agitation has been due, more than to any other

single cause, to the constant spread of settlements

westward over large areas that have long remained

thinly populated. With the growth of numbers,

the rise of manufacturing and commercial indus-

tries, and the increase of wealth, the desire for a

cheap currency has gradually diminished ; but this

has no sooner taken place in the more populous

states than the old phenomena have reappeared in

newly settled districts, while any localities that

MONETARY HISTORY

have remained sparsely peopled and devoted

chiefly to agricultural pursuits have always fur-

nished a favorable field for the old propagandaN

Back of all the strivings for an inexpensive

medium of exchange, each generation of our

people has always heard the complaint that our

supply of money has been insufficient ; ^ and this

cry has invariably furnished an unmistakable indi-

cation of the\* underlying cause of the agitation.

"No complaint," wrote Adam Smith, in 1776, "is

more common than that of a scarcity of money.

Money, like wine, must always be scarce with

those who have neither wherewithal to buy it, nor

credit to borrow it. Those who have either, will

seldom be in want either of the money or of the

wine which they have occasion for."^ In the

1 One of the earliest of these complaints is found in a resolution

of the General Court of Massachusetts in the year 1641. It is so

typical of similar complaints of later times that a part of it may well

be quoted here : " Whereas many men in the plantation are in debt,

and heare is not money sufficient to discharge the same, though

their cattle and goods should bee sould for halfe their worth, as

e3cperience hath shewed upon some late executions, whereby a

great part of the people in the country may be undone, and yet

their debts not satisfied, . . ," The Court then proceeded to grant

relief to insolvent debtors. Mass. Recs., I. 307. John Winthrop

wrote that the merchants had brought over " great store of provi-

sions" in 1640, "so as now all our money was drained from us."

Winthrop, N. Eng., II. 7.

^ Smith, W. of N., II. 9. A year or two later John Witherspoon

wrote : " The cry with many is, we must have paper for a circulat-

ing medium, as there is such a scarcity of gold and silver. Is this

just? No. They mistake their own poverty, or the nation's pov-

erty, for a scarcity of gold and silver ; . . ." Works, IX. 45.

2

INTRODUCTION

United States an enterprising and resolute people

has been engaged, for nearly three centuries, in

occupying and developing a vast area of free

land. While natural resources have abounded,

each newly settled district has always experienced

a lack of the capital needed to bring the soil under

cultivation, to supply means of communication, and

to develop manufacturing enterprises.^ This want

might have been little felt by a le5s progressive

people ; but with us it has been a real and serious

obstacle, which has been removed only by the slow

gfrowth of wealth and numbers. In order to pos-

sess a sufficient supply of metallic money, a nation

must convert a portion of its capital into a stock

of gold or silver coins or bullion, a process that is

expensive, even under the most favorable circum-

stances. In the United States, prior to the dis-

covery of mines of the precious metals, gold and

silver could be obtained only through exchange

with foreign countries; and the acquirement and

maintenance of an abundant metallic currency was

made especially difficult by the poverty of our

people in all sorts of capital. The difficulty was

intensified still further by the sparseness of settle-

ment and the economic isolation of households

and communities, a circumstance which made the

1 This was well stated by Governor Ward of Rhode Island, in

1740: "And as the first settlers were not of the wealthiest sort, nor '

over-stocked with servants, the greatest part of their money was

nhavoidably swallowed up in procuring provisions, clothing, and

utensils for husbandry and labor, to subdue and cultivate the soil."

Rcc8.ofR.I.,V.8.

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MONETARY HISTORY

monetary circulation sluggish and increased the

volume of currency required for the transaction of

a given number of exchanges. The accumulated

products of our industry were more often con-

verted into other things than money. Each person

usually desired to employ in production or ex-

change whatever gold or silver might come to

him; for he had many uses for other kinds of

capital, and could ill afford to keep on hand a

stock of money that appeared to be an idle invest-

ment. Therefore it happened that supplies of the

precious metals secured in trade tended to move

out of the colonies in exchange for other things

that were felt to be more necessary. This fact

explains the circumstance, so often bewailed by

writers of the seventeenth and eighteenth cen-

turies, that the balance of trade was commonly

against the colonies, so that gold and silver seemed

to take to themselves wings, and to fly out of the

country.

It may be said that it would have been better

for the people to have retained enough metallic

money to furnish an adequate medium of ex-

change, and this is undoubtedly true. But the

matter did not appear in this light to the individ-

ual colonist, who would usually expend his own

coins for things that were felt to be immediately

desirable, and would leave to some patriotic neigh-

bor the task of accumulating a stock of money

that appeared to be idle capital. In the colonial

period, the usual outcome was that the attempt to

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INTRODUCTION

maintain a specie currency was abandoned, and some

less expensive medium was substituted. In later

times, the poorer 'and less populous regions of

the country have experienced a similar scarcity

of gold or silver, and have been equally desirous

of finding some form of currency that would be

easier to obtain. The continued growth of new

commonwealths in the West has served to perpet-

uate the conditions under which an agitation for

cheap money was sure to remain with us.

It is the purpose, then, of this first essay to

review the entire monetary history of the United

States in the light of the facts just stated, and to

show that all the varied currency experiments'

with which our people have been vexed for nearly

three centuries have been, first and fundamentally,

efforts to secure a cheap medium of exchange.

While it is not claimed that this thesis is entirely

novel,^ it is believed that the essay is the first

systematic effort to supply a unitary interpretation

of the leading facts in the history of American

currency. The second and third essays contained

in this volume are primarily investigations into sub-

jects about which little has been known hitherto.

1 Professor Sumner has appreciated this fact very clearly. See

Currency, 5-6 ; Banking, 1-3; also article in First Century, 238-

259. In the last-mentioned work he says that \*\* the monetary history

of the United States from the first colonization until now is a history

of experiments with cheap substitutes for money." Professor F. J.

Turner has well shown the similarity between the present silver

movement in the West and similar agitations of earlier days.

Atlantic Monthly, LXXIX. 441-442.

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MONETARY HISTORY

But, since North Carolina and New Hampshire

remained, up to the very close of the colonial

period, sparsely settled farming communities in

which manufactures and commerce were of slight

importance, they offer a favorable field in which

to test the thesis which the first essay seeks to

establish. Thus a real unity of purpose may be

traced throughout this book, in which, as in most

collections of essays, no formal unity is to be

expected.

J

CHAPTER II

WAMPUM AND BARTER CURRENCY

The first immigrants brought into the colonies

little or no money, since they were poor men and

needed other forms of capital. Some years were

to elapse before the new plantations were to de-

velop any extensive foreign commerce, by means of

which specie was finally secured ; and a scarcity

of currency was experienced in the very first years

of settlement. Accordingly in Virginia, as early|f-

as 1619, tobacco was made receivable at threelj

shillings per pound ; while in New Netherland'

and Massachusetts the settlers utilized peltry

as a medium of exchange.^ In trading with the

Indians the colonists learned to use wampum, the

common Indian currency, and they soon began

to employ this in their dealings among themselves.

Thus commenced in this country the quest for a

cheaper substitutes for metallic money.

For the Indians, wampum had been a satisfac- ^

tory currency.^ It was manufactured largely at

1 Bruce, II. 498-499; Ripley, no; Fernow, 298; Felt, 11,

12, 14.

2 On wampum currency, see Weeden, I. 32-46 ; Bruce, II.

520-521 ; Amer, Nat., XVII. 468 ; Fernow, 297-299 ; Docs, of

N.Y.,1.269,365.

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MONETARY HISTORY

the eastern end of Long Island, where were found

" the cockles whereof wampum is made." Much

labor and patience were required for its produc-

tion, and "an Indian's utmost manufacture

amounted only to a few pence a day." But the

English settlers, with their iron implements, were

able to incfease the output greatly, especially

after they settled upon Long Island near "the

mine of New Netherland." As a result, the wam-

pum depreciated, so that, in 1649, Massachusetts

had to prohibit its receipt in payment of taxes,

although it was allowed to remain a legal tender

for private debts until 1661. In counterfeiting

and otherwise deteriorating this rude medium, the

Indians seem to have learned a few lessons from

the white men, for we find that complaints came

to the commissioners of the New England Con-

federation that "the Indians abused the English

with false badd and unfinished Peage."^ Troubles

growing out of the depreciation and counterfeit-

ing of this currency became especially serious in

New Netherland, which seems to have received

much bad wampum from New England as well as

a bountiful supply directly from the cockle-shell

mints operated industriously by the English on

Long Island. In 1641, complaints were made

that " very bad wampum is at present circulating

here, and payment is made in nothing but rough

unpolished stuff which is brought hither from

other places," so that "the good, polished Wam-

1 Hazard, II. 124.

8

WAMPUM AND BARTER CURRENCY

pum, commonly called Manhattan Wampum, is

wholly put out of sight and exported." Then we

hear of a plague of bad wampum " of Stone, Bone,

Glass, Muscle-Shells, Horn, yea even of Wood and

Broken Beads." Washington Irving had an un-

doubted basis of fact for his humorous description

of the trials of the Dutch with the enterprising

Yankees, for we find wampum greatly depreciated

in 1659, "in consequence of the great importation

of Wampum from New England, which barters

therewith, and carries out of the country not only

the best cargoes sent hence, but also a large quan-

tity of Beaver and other Peltries," so that the peo-

ple of New Amsterdam " remain with a chestf ul

of Wampum, which is a currency utterly valueless,

except among New Netherland Indians only." ^

In spite of all such disturbances, however, this

rude money continued to be used more or less in

New York as late as 1701.

As time went on, other forms of barter currency

multiplied in the colonies. Yet Maryland and

Virginia clung to the use of tobacco, which long

remained the principal medium of exchange, even

after its value had fallen from three shillings to

twopence per pound.^ In nearly all the planta-

tions, beaver and other kinds of peltry were util-

^ For these references to New Netherland, see O'Callaghan, 26,

"5.434.

\* Scharf, I. 273, 278, 280, 282 ; II. 35-36 ; McMahon, 224-225,

283 ; Ripley, no, in, 1 31-132 ; Hist Mag,, II. 42-43. In Vir-

ginia the burgesses frequently insisted upon having their own

wages paid in coin. Ripley, 132.

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MONETARY HISTORY

ized extensively as currency, since furs, like

tobacco, " were in demand in Europe, and could

always, without much loss, be converted into coin

or its equivalent." In the Carolinas, rice and tar

were used for a similar purpose. Massachusetts,

in 1 63 1, made corn a lawful tender for all debts,

except in cases where beaver or money should be

specified.^ In addition to the commodities already

mentioned, we find that the various colonies, at

one time or another, authorized the payment of

public or private debts in wheat, oats, barley, peas,

I bacon, pork, beef, fish, flax, wool, sugar, brandy,

f whiskey, and even musket balls.^ West of the

Alleghanies, in Tennessee and Kentucky, Mr.

Roosevelt tells us that a similar barter currency

was in use during the last decade of the eigh-

teenth century; and, as late as 1885, the Bismarck

Tribune reports that gopher tails were at that

time employed as money in some sections of

Dakota.^

The use of these forms of " country pay," or

"specie," as, singularly enough, it was sometimes

1 For the O^olinas, see Hawks, II. 163 ; Douglass, Discourse,

317 ; Stat, of S. C, II. 37 ; Col. Recs. N. C, IV. 920. For Mas-

sachusetts, see Felt, 16. ''It is further ordered, that come shall

passe for payement of all debts at the usuall rate it is solde for,

except money or beaver be expressly named." Mass. Recs., I. 92.

\*0n these barter currencies, see Bronson, 5-13 ; Weeden, loi,

119, 128, 142, 170, 178, 196 ; Femow, 298 ; Hist. Mag., XL 43-44 ;

Bruce, II. 521 ; Douglass, Discourse, 315-317.

•Roosevelt, III. 160-161 ; IV. 113-114, 232-233; Andrews,

119.

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WAMPUM AND BARTER CURRENCY

called, occasioned great trouble for public officials.

Attempts were made to regulate prices in order

to keep the currency from fluctuating so much as

to be useless.^ In Massachusetts the collectors of

taxes were continually involved in the most ridicu-

lous difficulties.^ Payment of the public dues in

the lankest cattle available became so common

that the General Court had to enact, in 1658, that

no man should discharge the rates with "leane

cattle."^ Ten years later the mere\* cost of

transporting the commodities received for taxes

amounted to ten per cent of the entire assessment,

and a further loss of five per cent was incurred

through shrinkage and deterioration. Accordingly,

in 1694, the government was obliged to discon-

tinue the payment of taxes in such a currency.\*

The experience of other colonies did not differ

greatly from that of Massachusetts. Obviously

enough, the employment of such cheap substitutes

served to expedite the exportation of such gold

or silver coins as found their way into the country,

and to delay the accumulation of a sufficient stock

of metallic money. The precious metals could not

1 Wcedcn, 97, 99, 115, "8, 132.

'Thus a Springfield constable had to transport to Boston one

hundred and thirty busheb of peas received in payment of prov-

ince taxes. This required eight trips to Hartford, and two from

there to Boston. In passing the falls of the Connecticut a part

of the cargo was spoiled by the water, and the collector had to

petition the General Court for relief. Felt, 53.

•Mass. Recs., IV. 348.

\* Felt, 38, 40, 45, 54 ; Douglas, Fin. Hist., 49-50«

II

MONETARY HISTORY

well compete with puny cattle and bad g^in as a

medium for the settlement of public or private

debts.i

^In 1749, the Governor of North Carolina complained of the

losses caused in that province by receiving commodities for taxes.

He said that it was " a stated rule that of so many commodities

the worst sort were only paid." Col. Recs. N. C, IV. 92a

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CHAPTER III

SILVER AND GOLD CURRENQES

In spite of the initial poverty of the colonists

and the influence of the rude barter currencies,

the increase of industry and commerce gradually

brought into the more prosperous of the planta-

tions a considerable amount of specie, of which

a portion was retained in circulation. In the

seventeenth century this consisted chiefly of

Spanish silver money; but in the eighteenth,

gold coins, mainly from the Brazilian mines,

appeared in no small numbers.^ Nevertheless

^ The relative quantities of gold and silver that found their way

into the colonies have not been made the subject of special investi-

gation. But see Chalmers, 5, 8, 10, 15. In 1676 Edward Ran-

dolph wrote from Massachusetts : " There is a reasonable quantitie

of silver money in the colony, but no gold." See Hutchinson's

ColL Papers, 498. In the seventeenth century gold was much

scarcer than silver throughout the world. The world's annual gold

product, which was only ^3,885,000 at the time of the discovery

of America, averaged but ^5,662,000 between 1600 and 1620.

The silver mines of South America, however, had increased

the world's annual silver product from ^1,954,000 in 1500 to

an average of |i 7,579,000 between 1600 and 1620 ; and Spanish

silver money had become common in all parts of the globe. For

these statistics see Rep. Prec. Metals, 1896, 346-347. The gold

product increased but little during the seventeenth century. In

1677 the Brazilian mines began to be systematically operated, and

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MONETARY HISTORY

complaints of the scarcity of coin and the alleged

impossibility of keeping it in circulation remained

so common, and have been accepted so compla-

cently by most historians, that it will be necessary

to present a little of the evidence that proves the

presence of a moderate amount of specie in the

colonies.

As early as 1639, Winthrop noted in his "Jour-

nal" the arrival of a bark which brought "much

wealth in money, plate, indico and sugar." ^ This

trade continued until, thirteen years later, Massa-

by 1700 were contributing largely to the world's stock of gold. As

a result, the annual production of gold increased greaUy between

1700 and 1760, as is shown in the following table : —

Years. Averagb Annual Product in

Thousands op Marks.

Brazil. All Other Countries.

1681-I700 4,185 25,849

1 701-1720 7,673 28,095

1 721-1740 24,692 28,535

1 741-1760 40,734 27,928

See Soetbeer, 109-110. For an account of the Portuguese gold

coinage, based on the product of the Brazilian mines, see Del Mar,

128-132. This enlarged output of the yellow metal furnished the

American colonies with gold coins in the eighteenth century. The

increase of the gold output relatively to that of silver is shown in

the following table : —

Ybars. Averagb Annual Product in

Thousands op Dollars.

Gold. Silver.

1581-1600 4,905 17413

1681-1700 7,154 14,210

1 721-1740 ...... 12,681 17)924

1 741-1760 16,356 22,162

1 Winthrop, N. Eng., I. 307. Cf. Bradford, 441.

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SILVER AND GOLD CURRENCIES

chusetts established its celebrated mint in order to

recoin its circulating medium into a uniform silver

currency. In 1671, Ogilby wrote of Maryland,

"yet there wants not, besides English and other

foraign Co)ais, some of his Lordship's own

Coyn." ^ In Virginia, Mr. Bruce finds abundant

evidence of considerable accumulations of money

and plate toward the close of the seventeenth cen-

tury; and Dr. Ripley has reached the conclusion

that a good deal of metallic money was always in

circulation, especially in the tidewater districts.^

In the year 1698, Gabriel Thomas reported that

silver was plentiful in the vicinity of Philadelphia.^

Two years later, John Fysack wrote concerning

Carolina, Pennsylvania, New York, and New Eng-

land: "There is now in the Plantations a great

quantity of Spanish money Plate and Bullion and

would be more if returns were answerable."\* In

1740, Dr. Douglass stated: "Before Paper-Money,

took Place in New England, Silver abounded in

Currency as much and perhaps more, than in

many of our Colonies."^ Ten years later, when

Massachusetts returned to a specie basis, its trade

prospered as never before; and Franklin, who

was an advocate of paper money, was obliged to

admit that the resumption of a silver currency had

1 Chalmers, 5.

« Bruce, II. 504, 506, 507 ; Rjplsyi n8,ii9> 131 •

\* Gouge, 5. See also statement of William Fishboume, in 1739.

Watson, Annals, I. 75.

< Chalmers, 12.

^ Douglass, Discourse, 338.

IS

MONETARY HISTORY

met with popular approval.^ This is only a tithe

of the evidence that might be presented upon this

point.

With the appearance of the Spanish and other .

coins, began the process of clipping the money.

This was practised extensively in the West Indies,

whence the colonies on the mainland secured the

larger part of their supply of specie; and it

continued until the Spanish piece of eight was

often reduced in weight by as much as one-third.\* ,

The light weight coins naturally drove the " broad "

pieces of eight out of the country, but the colo-

nists may have condoned the practice, since the

cheaper money was more readily retained in circu-

lation. For it was difficult to keep even the

clipped money in the country so long as the barter

currencies were in vogue. A shilling in " coimtry

pay" was always at a discount when compared

with a shilling in silver, and this discount amounted

to thirty or forty per cent.\* A full weight dollar.

^See his examination before Parliament in 1766. Works of

Franklin, III. 426-427. In 1767, while opposing Parliamentary

prohibition of paper money, Franklin had to admit the beneficial

effects of resumption in New England. Idem^ IV. 84-85.

\* \*\* As the said Silver Coins went by Tale, and were not millM»

they were clipped to such a Degree, that the Exchange to England

varied in Proportion, . . ." Ashley, 51. See especially Douglass,

Discourse, 301 ; Docs, of N. Y., IV. ii 33-1 135 ; Yale Rev.^ VII.

263, 409 ; Felt, 35, 59, 60 ; Bronson, 20-22 ; Femow, 303-305.

'In 1704, a traveller reports that the price of a knife was \2d.

in '' country pay " and dd, in coin. Mr. Bronson finds that the

barter currency was always at fifty per cent discount in G>nnecticut.

Bronson, 22-23. Cf. Yale Rev.^ VII. 248, 259.

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SILVER AND GOLD CURRENCIES

of 17I dwts. would not remain in circulation by

the side of a barter shilling; and it could be

clipped down to 12 dwts., or even less, before it

would cease to be dearer than "country pay."

Thus the practice of clipping coins became practi-

cally universal in spite of stringent laws that were

designed to prevent it.^

Since the colonies, until the Revolution, retained

the English denominations of pounds, shillings,

and pence for their money of account, it became

necessary to establish rates at which the Spanish

and other foreign coins should be received. In the

seventeenth and eighteenth centuries, the silver

pound sterling was the standard, or "rating,"

money of England. This equalled, from 1600 to

1 8 16, 1 718.7 grains of fine silver; so that the

shilling contained 85.93 grains of pure metal.\* In

the seventeenth century, the Spanish dollar, or

piece of eight, has been variously estimated at 385

to 388.5 grains of fine silver, a weight which would

have made it equivalent to about 4s. 6d, in English

money .^ In 1704, Newton's assay at the English

mint gave the coin an official rating of 386.8 grains

of pure metal, and fixed its value at 4^. 6d,, a

valuation which it retained during the next eighty

^ Bronson, 21 ; Fernow, 303 ; YaU Rev., VII. 264. In South

Carolina the penalty for clipping was at one time death without

benefit of clergy. Stat, of S. C, II. 72-73.

^McCulloch, 318-319 ; Ruding, I. 12, 357.

• This subject has been treated exhaustively by Professor Sumner

in Amer. Hist. Rev.^ III. 607-619. Cf. Chalmers, 390-394, 402-403 ;

Del Mar, 105-111.

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years, although its fine contents gradually dimin-

ished.^ This customary rating of the dollar made

the pound sterling worth $4.444 ; and, so long as

the colonies valued the coin at 4s. 6d,^ the colonial

pound remained the same as the pound sterling.

But as early as 1642, Massachusetts raised the

rating of the dollar to 5^., and Connecticut took

similar action the following year.\* In 1645, Vir-

ginia rated this coin at 6j., but this valuation waa

lowered to S^. a decade later.^ Thus began the

depreciation of the colonial metallic currencies.

In 1652, Massachusetts established a mint, and

began to coin shillings that were 22J per cent

lighter than the sterling standard.\* Upon this

basis, the dollar would have been worth a little

less than 6s, Between 1671 and 1697, no fewer

than nine colonies began to advance the piece of

eight,^ and by 1700 great diversities existed in the

ratings given to this coin in different localities.

1 Chalmers, 414 ; Amer. Hist. Rev,, III. 613-615.

\* Mass. Recs., II. 29; YaU Rev.^ VII. 247-248; Conn. Recs., 1. 86.

« Hening, Stat., I. 308, 397 ; Ripley, 112, 114.

\*0n the New England mint, see Felt, 30-35 ; Hutchinson,

Hist, I. 164-165 ; Watson, 2-6; YaU Rev,, VTI. 249 et seq,;

Hickcox, Coinage, 1-13 ; Crosby. The New England shilling had

fine contents of 66.6 grains. YaU Rev,, VII. 252.

^In 1 67 1, Maryland rated the dollar at 6j. Arch, of Md., II.

286. In Mass. and N. Y., pieces of eight that were of full weight

were, in 1672, advanced to 6j. Mass. Recs., IV. Part II. 533 ;

Fernow, 300. For other instances referred to, see Papers of N. H.,

I. 448, 480 ; Belknap, I. 20i ; YaU Rev,, VII. 261, 263 ; Bronson,

20; Leam. and Spicer, 285, 295, 517; Min. of Penn., I. 558;

Scharf, II. 35; Bruce, II. 507-511 ; Ripley, 115-119; Stat of

S. C, II. 72, 94, 163, 165.

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Virginia, after having advanced the dollar to 6s.

in 1683, allowed it to pass at 5^. a few years later.

South Carolina fixed a rate of S^. for a light coin

weighing 12 dwts., with an addition of s^d. in

value for every additional pennyweight. In New

York, a dollar weighing 15 dwts. passed at dr.,

while one weighing 17 dwts. was rated at 6s. gd.

Pennsylvania, and possibly West Jersey, gave the

piece of eight the highest rating, valuing it at ys.

6d. for a coin of 17 dwts. gross contents. In the

other colonies 6s. had become the prevailing valua-

tion of the dollar.^ By this time the evils of these

diverse and fluctuating currencies had become so

great as to call forth complaints to the English

authorities, who had already directed colonial gov-

ernors to refuse assent to laws that tampered with

the currency.\* Accordingly a royal proclamation

1 For Virginia, see Ripley, Ii6~ii8; Bruce, II. 510-511. For

South Carolina, Stat, of S. C, II. 178; Carroll, II. 258. The

rating of 5^. for a dollar weighing 12 dwts. would give a rate of dr.

5^ for a dollar weighing 17 dwts., allowing 3|^. for each addi-

tional dwt Cf. Stat, of S. C, IX. 779. For New York, Femow,

301. For Pennsylvania, Shepherd, 402-404 ; Docs, of N. Y., IV.

1047, '059» I\* 34\* Fo'f West Jersey, a law of 1693 rated a 17 dwt.

coin at 7^. This was done in order that the coins might have the

same rating that prevailed in Pennsylvania. See Learn, and Spicer,

517. It seems possible that the actual usage in West Jersey may

have followed that of Pennsylvania in 1700. In Maryland there is

a contemporary statement that the dollar was rated at 41. (id, in

1697. ^c Ripley, 115; Bruce, II. 511. This seems to be an

error, since it conflicts with the acts passed by Maryland in 1686

and 1708, rating the dollar at 6j. See Scharf, II. 35.

'Chalmers, 10-15; Bruce, II. 509-510; Docs, of N. Y., IV,

1047, 1059 > Femow, 301 ; Ripley, 116 ; Smith, N. J., 240.

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was issued in 1704, and an express act of Par-

liament was passed in 1707, requiring that the

Spanish piece of eight should not be rated at more

than 6s,, and other coins at more than correspond-

ing values.^ But this law was almost universally

evaded. The West Indian colonies, noting that

the act specified only silver coins, proceeded "to

give independent ratings (by weight) to the gold

coins of Spain," and thus adopted a gold stand-

ard of value which could be depreciated at will

without any violation of law.^ Upon the mainland

the colonies before long began to rate silver by the

ounce, and thus the depreciation continued. In

accordance with the rating of 6s. fixed by Parlia-

ment for the dollar, an ounce of silver should have

been valued at 6s, 10.65^.\* But the colonies usu-

ally \* began to rate silver at 7^. or 8j. per ounce,

and soon placed it at even higher figures.^ Thus

1 Chalmers, 14-16, 414-415 ; YaU Rev,, VII. 406-410 ; Doug-

lass, Discourse, 301-302; Ashley, 50-63. \* Chalmers, 15.

• See Sumner, in Yale Rev,, VII. 407. The sterling value of

silver was 55. zd, per ounce. The law of 1707 allowed a rating one

third higher than this. Cf. Chalmers, 14.

^ Maryland passed a law in 1708 in compliance with the act of

Parliament. Scharf, II. 35. Until 1733, when the colony issued

paper money, this valuation was retained. Douglass, Discourse, 315.

Virginia in 1710 rated the ounce of silver at 6f. yi,^ which was

even less than Parliament had allowed. Ripley, 127. But in 1727

silver was raised to 6x. %d. Idem, 130. See Douglass, Discourse, 316.

Here it continued, and was, therefore, always a little below the

rate fixed by Parliament.

« Belknap, III. 225; Yale Rev,, VII. 407-412; Felt, 60;

Weeden, 387 ; Conn. Recs., V. 157 ; Phillips, I. 19, 61, 106, ill ;

Fernow, 306 ; Douglass, Discourse, 311, 312.

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it became necessary for all people that handled

any considerable quantity of money to have scales

for ascertaining the weight of the coins. Finally,

it is to be remembered that, during the first half of

the eighteenth century, most of the colonies issued

a paper currency whose depreciation soon brought

them down to a paper money basis; so that the

valuations which the English authorities gave to

specie were a matter of small moment.

In 1750, when Massachusetts retired her paper

currency and resumed a specie basis, Spanish

dollars weighing 17 dwts. were rated at 6^., and

silver was rated at 6s. 8d. per ounce.^ This was

a return to the rates fixed in the Parliamentary

enactment of 1707. A somewhat similar process

went on in other colonies that redeemed or re-

pudiated their redundant paper currencies, but the

rates finally given to the dollar were not uniform.

New Hampshire, Rhode Island, Connecticut, and

Virginia rated the dollar at 6s.^ South Carolina

and Georgia adopted valuations of 4s. Sd, and 5^.

1 YaU Rev,^ VII. 412-413 ; Felt, 1 21, 127 ; Weeden, 674-676 ;

Acts of Mass., III. 430, 480, 494. These rates for the dollar and

the ounce of silver are not equivalents, since, with the dollar at 6^.,

an ounce of silver would have been worth about 6;. 10.65^. But, as

a matter of fact, few, if any, dollars were of full weight, i,e\* I7jdwts.

gross contents. With silver at 65. %d. per ounce, the dollar should

have had fine contents of about 377.4 grains, and this corresponds

well with what information we have concerning the contents of the

dollar. On this basis, the shilling would contain 62.9 grains of fine

silver.

\* Papers of N. H., IX. 66 ; Potter and Rider, 99 ; Bronson, 74 ;

Ripley, 13^-133 ; Writings of Jefferson, VII. 409.

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respectively.^ In Pennsylvania, New Jersey, Del-

aware, and Maryland, the dollar passed for js,

6d? Finally New York and North Carolina

settled upon a rating of 8^.^ These valuations

were retained until the state currencies were super-

seded by a national system after 1789. Thd

resulting confusion that attended interstate deal-

ings can easily be imagined.

The result of this process was a gradual and

progressive depreciation of the colonial currencies^

as compared with the sterling standard.\* When

the Spanish dollar, which was worth 4s, 6d.y was

rated at Si'., the colonial pound was reduced td

$4.00, or 1547 grains of fine silver, and ;£iii of

colonial money equalled ;£ioo sterling. With the

dollar advanced to 6s,, the colonial pound fell to

ii'iii or 1289 grains of pure metal, while £iZi\

of colonial currency equalled ;£ioo sterling. A

rating of 7s, 6d, for the piece of eight reduced the

colonial pound to $2.66, or 103 1 grains of silver;

J Stat, of S. C, IV. 543 ; Dip. Corr. of Rev., XII. 91. In South

Carolina until 1783 the dollar was rated at 32J. 6//., a valuation that

was fixed by the depreciation of the paper money. Ramsay, II. 164.

2 Phillips, I. 26-27; Acts of N. J., 7; Laws of Md., 1 781,

Chap. 16 ; Laws of Del., II. 731-732 ; Dip. Corr. of Rev., XII. 91 .

•In 1738, silver was current in New York at 91. ^(L per ounce.

Douglass, Discourse, 312. Two years later it fell to about 9^. Docs,

of N. Y., VI. 169. In 1756, Smith wrote that since the last war

silver had been valued at about 9;. 2d, Smith, N. Y., 333. This

last rating of silver would make the dollar worth 8j., and it remained

thenceforth at that figure. See Hickcox, Bills of Credit, 50. For

North Carolina see Williamson, II. 1 15 ; Dip. Corr. of Rev., XII. 91.

^ On this general subject, see Adler,

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and made ;£i66f of colonial currency equal to

;£ioo sterling. Finally, when the dollar was

valued at 8j., the colonial pound amounted to

$2.50, or 967 grains of fine metal; while £177^

of colonial money was equivalent to ;£ic)0 ster-

ling.^

The chief reason for the progressive deprecia-

tion of the colonial coin currencies was the fact

that the colonists believed that specie could be |

more easily retained within their borders, or at-

tracted from neighboring plantations, by raising!

the rates at which it should be received. Before

1635 Rice Vaughn wrote: " If we do observe those

States which do soonest and most raise their Money,

we shall find that they do most abound with Money ;

and that Trades and Manufactures do most flour-

ish there." ^ This expedient of raising the value

of money, so often employed in Europe, was likely

to be favored in a new country, where the poverty

of the settlers made it difficult to accumulate a

large stock of specie. Moreover, since it lightened

the burden of debts whenever past obligations

were not specifically excepted from . its opera-

tion, it is easy to see why such a measure should

have found support from certain classes of people

in the colonies. Many of the acts for raising the

value of the coins state that the purpose is the

^See note by editor, in Douglass, Discourse, 300-301. All of

these comparisons may be found carefully tabulated in Wright. See

also Adler.

^Chalmers, 5, 7.

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" Encouragment of those that shall bring monys

into this Province," or some similar object.^ The

royal proclamation of 1704 alleges "the indirect

Practice of Drawing the Money from one Planta-

tion to another," as a cause for the imperial regu-

lation of the colonial currencies ; and Franklin, in

1767, assigns a similar motive for the policy of

overvaluing specie.\* Of course, in the long run, an

increase of prices rendered nugatory all attempts

to increase the volume of money in this manner.\*

Equally futile were the numerous prohibitions

placed upon the exportation of gold and silver,\*

which, of course, had the same general purpose in

view.

If more materials were available, it would be

interesting to examine at length the attempts of

the several colonies to regulate the rates at which

gold and silver coins should circulate concurrently.

1 Arch, of Md., II. 286; Stat, of S. C, II. 163, 1 78; Hening, Stat.,

1.308; Papers of N.H., 1. 448; Mass. Recs.,V. 351 ; Felt, 36; Shep-

herd, 402. See also two interesting petitions asking that coins should

be raised, in Cal. Va. Papers, I. 53-54 ; Docs, of N. Y., IV. 1 134.

^Chahners, 414; Works of Franklin, IV. 81-82. In North

Carolina and New York, the increase in the rating of the dollar to

Ss, has been attributed to the influence of the paper currencies.

See Williamson, II. 115; Smith, N. Y., 332-333.

• Franklin, in the passage just referred to, well states the result

of this " weak practice," as he termed it : \*\* The balance of trade

carried out the gold and silver as fast as it was brought in, the mer-

chants raising the price of their goods in proportion to the increased

denomination of the money."

\*See Felt, 16, 35, 36; Bronson, 17-18; Weeden, 382; Ya^

Rev,, VII. 257, 264; Femow, 305; McMahon, 226; Bruce, II.

506.

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As it is, we may find it worth while to consider the

subject briefly. It has been shown that gold coins

came into the colonies in much larger numbers

after 1700 than had formerly been the case. In

Pennsylvania, between 1700 and 1739, there were

at least seven changes in the rates at which gold

and silver were receivable, and the ratio varied from

14.70: 1 up to 16 : i.^ In South Carolina a statute

enacted in 1695 practically established a ratio of

13:1; while six years later a ratio 15:1 prevailed.^

Virginia established a ratio of 16 : i in the year

1 714, but this was changed to 15:1 thirteen years

later. In 1782 a ratio of 16: i was reestablished.^

In 1736 Massachusetts issued bills of credit of a

"new tenor" which were declared to be " equal in

value " to certain weights of gold and silver, from

which a ratio of 14.84 : i may be computed.\* Thir-

\* Phillips, I. 19, 27. In 1709, the ratio adopted was so favorable

to gold that Philadelphia merchants stated that ''our pa3rments

were mostly made in gold, New York and Britain gradually exhaust-

ing our silver." Proud, II. 161. The ascertainment of the exact

ratios established by colonial statutes is commonly a work of some

difficulty, because the colonists, in some cases at least, \*' disregarded

the difference in fineness of the metals, and derived the ratio from

the gross weights." See YaU Rev., VII. 413. In most cases the

computations here presented are necessarily based upon a compari-

son of the gross weights. In some cases, however, where Professor

Sumner's computations are used, the ratios are based upon a com-

parison of the fine contents of the coins.

« Stat, of S. C, II. 195, 178; Carroll, II. 258.

•Hening, Stat, IV. 51, 52, 218, 219, XL 117, 118; Ripley, 127,

130.

^ YaU Rev,, Vll. ^11.

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teen years later, the acts providing for resumption

of a specie basis rated gold and silver coins in such

a manner that it is difficult to compute the ratio.^

But in 1752 treasury bonds were made payable in

silver or gold at a ratio of 15.38 : i.^ Gold was not

legal tender at this time, although it was current

in the province at about the rates specified in a

statute of 1750.\* In 1758 a large amount of gold

was received from England in payment of subsi-

dies voted by Parliament, so that the legislature

could declare four years later that "gold is now

become by far the greatest part of the medium of

trade in this province." Meanwhile the relative

value of silver in Europe had risen so that an ounce

of gold, which in 1756 was equivalent to 14.94

ounces of silver, would exchange for only 14.14

ounces of the white metal in 1760. Under such

conditions, foreign obligations naturally were met

by shipping silver out of the province.\* In 1762 an

act was passed making gold legal tender at a rate

of about 4.22 grains for a shilling. Since the sil-

ver coins in actual circulation passed at 62.9 grains

1 YaU Rev,^ VII. 413-414. Taking the value of a shilling in

the gold coins that received the most favorable rating, and the

value of a shilling of the silver currency then in circulation, we

obtain a ratio of 14.94: i.

\* YcUe Rev,^ VII. 414. Taking the fine contents of the silver

coins in actual circulation, Professor Sumner computes a ratio of

14.52: I.

"One writer claimed that the act of 1750 made gold a legal ten-

der. Yale-Rev,^ VII. 414. But Hutchinson entertained the oppo-

site opinion. Hutchinson, Hist., III. 98.

\*Soetbeer, 129; Hutchinson, Hist., III. 99.

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for a shilling, this law established a ratio of 14.905.^

This ratio would probably have overvalued gold

sufficiently to enable it to drive silver out of the

province if silver had remained at the value which

it held in 1760. But, as it proved, the white metal

fell in value so that in 1762 it required 15.27 ounces

to purchase one ounce of gold; while, for the

next few years, the ratio between gold and sil-

ver remained at about 14.8: i. As a result, the

act of 1762 did not drain the province of its

specie ; although its immediate effect was, as the

legislature probably intended, to depreciate the

standard of value about 4f per cent^ Finally

it may be noted that the ratings of gold and silver

adopted in Massachusetts in 1750 seem to have

been followed fairly closely in New Hampshire,

Rhode Island, and Connecticut ; so that a ratio of

slightly less than 15:1 may be said to have pre-

vailed in New England.\* This undervalued silver,

which in every year from 1740 to 1790, with only

five exceptions, was worth more than one-fifteenth

as much as gold.^ Yet the divergence of the legal

from the market ratio was not great enough to

drain these colonies of their silver coins, although

silver was probably the metal more commonly

1 Acts of Mass., IV. 515, 516; Yale Rev., VII. 417.

« YaU Rev,, VII. 418.

•Acts of Mass., III. 495 ; Papers of N. H., VII. 77-78, 282,

296 ; G>nn. Recs., X. 339 ; Potter and Rider, 99. All of these

acts rate silver at 6j. &/. per ounce, and gold at about ;f 5 per

ounce.

\*Soetbeer, 129.

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employed in the payment of foreign debts.^ Per-

haps the coins in actual circulation were clipped

to such an extent that the lighter silver pieces

would stay in circulation longer than the heavier

gold pieces, in spite of the overvaluation of the

yellow metal.

^ In Canada during the eighteenth century silver was overvalued,

and the problem of currency legislation was to keep gold in circu-

lation. In the West Indies, on the other hand, gold was over-

valued, and even the fractional silver coins tended to disappear

from circulation. See Chalmers, 20-21.

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CHAPTER IV

COLONIAL PAPER MONEY

Soon after the colonies commenced to advance

the ratings of their current coins, there began a

series of attempts to establish private banks. It

must be remembered that, during the entire colo-

nial period, the word "bank" meant simply a

batch of- paper money, a conception that has dis-

appeared only gradually during the present cen-

tury as the functipns of deposit and discount have

assumed greater importance in modern banking.

During the seventeenth century, more especially

during its closing decades, public and private

credit had been developed in the countries of

northern Europe upon a scale that was previously

unknown. Naturally enough the real nature and

precise limitations of the great agency thus created

were not clearly understood. It was perceived that

credit increased enormously the control over capi-

tal enjoyed by a person or a company ; but it was

not realized so readily that credit is not the same

as capital, and that capital cannot be directly

created by credit, although its efficiency may be

greatly increased. John Law's projects, the Mis-

sissippi Scheme in France, the English Land

Bank Scheme, and the South Sea Bubble were

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no isolated phenomena: many other fallacious

enterprises grew out of the misunderstandings

'that prevailed concerning the nature and proper

uses of credit. Theories and plans of a paper cur-

rency began to appear in England as early as

1650, when William Potter published "The Key

of Wealth, or A new way for Improving of

Trade." Other schemes followed, all of which

proposed to find some other medium than metallic

money for a basis of paper credit For this pur-

pose deposits of merchandise or pledges of land

were commonly suggested.^ In England the exist-

ence of more settled industrial conditions and the

possession of a larger supply of capital facilitated

the growth of sounder views concerning the true

nature and proper basis of credit, but these lessons

were not learned until much sad experience had

been gained from unsafe banking ventures ; while,

as late as the period of restriction from 1797 to

1 8 19, all the forces of unreason had to be most

vigorously combated before it was generally

admitted that the premium on bullion was due

to the depreciation of the paper currency, and

not to an alleged scarcity of gold.^ In the Ameri-

can colonies, however, the economic conditions

were precisely the reverse of those which prevailed

in the mother country; and all circumstances

favored the persistence of erroneous ideas.

lOn these banking schemes in England, see Rogers, 1-88;

Dunbar, in Q.J, i?., II. 482-490 ; Trumbull, 6-7.

2 Macleod, II. 30-50. ,

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At some time previous to 1652, "paper bills" (

seem to have circulated in some parts of Massa-

chusetts, and there is a record of projects "for

raiseing a Banke/' ^ William Potters's " Key of

Wealth," or some similar publication, may have

come to the attention.of Governor John Winthrop,

of Connecticut; for, in 1661, he is found to be j

entertaining " some proposalls concerning a way of

trade and banke w%ut money." ^ A few years [

later, the Rev. John Woodbridge submitted a proj- 1

ect " for erecting a Fund of Land, T)y Authority, ■

or private Persons, in the Nature of a Money-Bank '^

or Merchandise-Lumber,'\*^ In 1671, 1681, and

1686, private banks were actually established in

Massachusetts; and bills were issued, probably

upon the security of " such Real Estates of Lands,

as also personal Estates of goods and Merchan-

dizes not subject to perishing or decay." \* These

projects, however, proved to be short lived. In

them can be distinctly traced the influence of

theories that were then prevalent in England. ^

In 1690, Massachusetts, followed shortly by other

colonies, emitted its first public bills of credit.

iFelt, 33 ; Proc. Ant. Soc., 1866, 35-36 ; Weeden, 318.

\* Trumbull, 8-9 ; Weeden, 318-324.,

•Trumbull, 4-7, 9-1 1 ; Weeden, 328-329 j Douglas, Fin. Hist.

44-45-

\*Proc. Ant Soc, 1866, 38-39; Felt, 46-47; Douglas, Fin.

Hist, 45-47 ; Trumbull, 11-14 ; Q,/, E,^ XI. 70-75.

•This is shown by Trumbull, 6-9. It is interesting to note that,

in the middle colonies, Thomas Budd in 1685 projected a bank of

commodities. Budd, Good Order, 40-41.

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Such issues soon became so common as to divert

attention, in a great measure, from private bank-

ing enterprises. Yet in 1700, 1714, 1733, 1739,

and 1740, private banks were projected in Massa-

chusetts, and were finally suppressed with great

difficulty.^ In some cases, however, these associa-

tions actually placed a considerable quantity of

their Bills in circulation. The great Land Bank

of 1740 issued about ;^35,cxx) of notes, and made

a most vigorous struggle to maintain its existence.\*

In New Hampshire, Connecticut, and South Caro-

lina, associations were formed, between 1732 and

1738, for the purpose of engaging in similar ven-

tures; and at a later date we hear of other

attempts in Pennsylvania and Virginia.\* But

Parliament interfered, in 1741,\* by extending to

the colonies the provisions of the " Bubble Act,"

which had been passed twenty-one years earlier in

order to suppress such swindles as had occurred

during the time of the South Sea Company.

The paper money that so long cursed the Ameri-

can colonies was issued by acts of the several legis-

iFelt, 55, 65-67, 88-89, 97; Hutchinson, Hist., II. 188-189,

341 ; Sumner, Banking, 6-9 ; Q./. E., XI. 75-91, 136-143.

2 Hutchinson, Hist., II. 352-355 ; Felt, 97-109 ; Douglas,

Fin. Hist., 127-129 ; Sumner, Banking, 9-1 1 ; Weeden, 486-491 ;

Q,/, E,y XI. 148-157 ; Proc. Ant. Soc, April, 1896. .

« Papers of N. H., IV. 685 ; Felt, 91-92 ; Bronson, 42-43 ;

Q, /. E,^ XIII. 71-84 ; Douglass, Discourse, 310, 317 ; Shepherd,

433 ; Phillips, I. 27-28, 199 ; Sumner, Banking, 8, 9, 11.

^ Stat, at Large, 6 Geo. I. c. 18, 14 Geo. II. c. 37. Cf. Sumner,

Banking, 10.

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latiires. Massachusetts had led the way, in 1690,

with an issue of bills that were used to defray the

expenses of a disastrous military expedition.^ Her

example proved contagious; and, by 171 2, New

Hampshire, Rhode Island, Connecticut, New York,

New Jersey, North Carolina, and South Carolina

had issued quantities of bills of credit in order to

meet the outlays occasioned by Queen Anne's

War.^ In subsequent years bills were emitted as

a regular means of defraying the current expenses

of government; and, as the volume of paper ac-

cumulated, a great depreciation ensued. Sooner

or later all the plantations were deeply involved in

the mazes of a fluctuating currency, for the bur-

dens attending the various wars of the eighteenth

century were so great as to induce even the most

conservative colonies to resort to this easy method

of meeting public obligations.^ Virginia suc-

1 Hutchinson, I. 356-357 J Felt, 49-52 ; Weeden, 330, 379-381 ;

Proc. Ant. Soc, Oct., 1898.

2 South Carolina (1703); Stat, of S. C, II. 210, IX. Appendix.

New Jersey, New York, New Hampshire, and Connecticut (1709) ;

Phillips, I. 59 ; Hickcox, Bills of Credit, 13 ; Femow, 313 ;

Papers of N. H., III. 410-41 1 ; Bronson, 30-31. Rhode Island

first issued paper in 1710, and North Carolina in 1712 ; Potter and

Rider, 7-10; Arnold, II. 39-41 ; Col. Recs. of N. C, II. p. IV.,

IV. 576. On all these colonies, see Douglass, Discourse, 302-

318.

« Papers of N. H., V. 722, 740-742, 812-813; VI. 506-507;

Hutchinson, Hist, II. 390-391; Douglas, Fin. Hist, 118-119;

Potter and Rider, 100 ; Bronson, 63-64 ; Hickcox, Bills of Credit,

36, 39» 42 ; Fernow, 324-333 ; Phillips, I. 22-25, 73-76 ; Shep-

herd, 427-432 ; Scharf, II. 37 ; Iredell, Laws, 115, 157, 192, 198 ;

^ 33

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cumbed last, in i/SS, but made large issues in the

ensuing years.^

A second excuse for issuing bills of credit was

found at an early date. In 171 2, South Carolina

created a public loan bank, and issued bills that

were loaned to its citizens at interest, upon real or

personal security.^ This expedient was followed

sooner or later by nearly all of the other colonies.\*

Rhode Island easily distanced all competitors in

the readiness and facility with which she created

loan banks ; while Pennsylvania, New Jersey, and

Col. Recs. of N. C, VI. 1308-1309 ; Stat, of S. C, IV. 114. Dr.

Douglass called paper money " a great promoter of expeditions.^

Douglass, Summary, I. 310.

1 Ripley, 154-157 ; Phillips, I. 194-196. Georgia issued her

first bills in the same year. Stevens, I. 399.

2 Stat, of S. C, II. 389, III. 232 ; Ramsay, II. 162-163. Massa-

chusetts issued money on loan in 1714, Rhode Island in 1715, and

New Hampshire in 171 7. Felt, 67, 77, S4 ; Hutchinson, II. 189 ;

Potter and Rider, 1 1 ; Arnold, Index, "Banks" ; Papers of N. H.,

V. 620, 684-688. Pennsylvania and New Jersey created loan banks

in 1723. Phillips, 1. 13, 63 ; Annals, VIII. 50-126 ; Mulford, 327.

Delaware issued bills upon loan at about the same time. Laws of

Del., I. 97. North Carolina adopted this expedient in 1729, Con-

necticut and Maryland in 1733, New York in 1737, and Georgia in

1755. Col. Recs. of N. C, IV. 419, 476 ; Bronson, 44 ; Scharf, I.

280; Hickcox, Bills of Credit, 25 ; Stevens, I. 399. Virginia was

the only colony that did not resort to this method of issuing bills.

Even there, only the governor's veto prevented such action in 1755.

See Phillips, I. 195. Pennsylvania, Maryland, and Georgia issued

their first paper money in this form. In 1739, Douglass wrote that

Delaware had issued paper "upon the same footing as Pennsyl-

vania." Douglass, Discourse, 315. Land and plate were the

favorite forms of security upon which these public loan banks were

issued. On the loan banks in general note Douglass, Sunmiary, 11,

99» 3651 Discourse, 302-317.

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Delaware followed a more conservative course than

most of the other plantations.

The abuses attending both forms of paper cur-

rency were usually of the most flagrant sort. Bills

were issued for the payment of current expenses

or extraordinary outlays, and taxes would be voted

for the purpose of redemption. Then subsequent

assemblies would extend the period during which

the paper money should be current, or would neg-

lect to levy sufficient taxes for its withdrawal.^

Thus the currency tended always to accumulate,

and its depreciation increased. Sometimes a legis-

1 Papers of N. H., III. 564-565, IV. 72 ; Potter and Rider, 19 ;

Femow, 317, 320, 327, 330 ; Shepherd, 423, 430 ; Phillips, I. 20,

61 ; Stat, of S. C, IX. 767, 769, 773. By the year 1731, South

Carolina had piled up a debt of ;f 106,000 that represented bills

issued many years previously. These were then exchanged for new

bills, and continued in circulation without any provision for their

redemption. Stat of S. C, IX. 778-779. Subsequent statutes,

of which the last was passed in 1769, provided for the continued

circulation of these bills. Douglass had good reason for remarking

that South Carolina had been "notoriously guilty of breach of

public faith." Discourse, 317. He could with propriety say: "By

this unnatural Contrivance they oblige Posterity to supply the

Extravagances of their Parents and Ancestors, instead of the

common and natural Instinct of Parents providing for their chil-

dren." He said that piling up a debt in this manner was " really

analogous to the Negroes in Guinea, who sell their Progeny into

Slavery, for the sake of raising some ready Pence." Discourse,

338, 343. Thomas Paine called attention to the manner in which

one assembly would incur debts that were bequeathed to subse-

quent assemblies, and said : "The amount, therefore, of paper

money is this, that it is the illegitimate offspring of assemblies, and

when their year expires, they leave a vagrant on the hands of the

public." Paine, II. i8i. "^ "

35 sy^ '^

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lature would resolve that the bills in circulation

should not exceed a certain sum, but such a decla-

ration would prove utterly worthless.^ In almost

every colony the first issues were to remain current

for a short time only, and were to be redeemed

speedily by taxes ; but the periods were gradually

lengthened to twelve, sixteen, or twenty-five years.^

Laws were often passed providing for the emission

of new bills to replace worn or mutilated issues.

Then the new money would frequently be placed

in circulation without withdrawing and cancelling

the old,^ while bills that had been withdrawn for

the original purpose of destroying them would

often be reissued for current expenses.\* In some

colonies it happened that paper issued upon loan

would not be repaid at the stated periods, and

interest payments were commonly in arrears.

When this occurred, the legislature would fre-

quently extend the time of the loans, and some-

times a large part of both principal and interest

^Thus when Massachusetts issued her first bills, it was resolved

that the issues should not exceed ;f 40,000. Felt, 51. But when

the issues of legal tender notes ceased in 1748, the sum of

;^2,466,ooo was outstanding. Douglass, Summary, I. 528. In

1749, the amount was ;^2, 200,000. Hutchinson, II, 392.

\*Felt, 63; Douglas, Fin. Hist., 117; Bronson, 37; Fernow,

315 ; Annals, VIII. 72 ; Ripley, 154, 156.

•Bronson, 35-37 ; Stat, of S. C, II. 256, IX. 767, 772, 773.

\* Bronson, 51, 59, 71 ; Annals, VIII. 57, 58; Douglass, Dis-

course, 312. In New York it was found in 1748 that the treasurer,

instead of destroying bills that were supposed to be cancelled,

reissued them " for his own benefit or for the benefit of his friends."

Docs, of N. Y., VI. 534 ; Fernow, 326.

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would never be repaid.^ In this respect Rhode

Island was probably the worst offender. Her loan

banks were placed in the hands of a few favored

persons, called " sharers/' who happened to

possess the requisite "pull." The "sharers"

then proceeded to lend out the money at a rate

of interest that was, for the first ten years, five

per cent higher than that which they were obliged

to pay to the colony. In some cases the fortunate

" sharers " would sell their privileges for premiums

that sometimes amounted to as much as thirty-five

per cent. The results of such performances can

readily be imagined.

Although the colonial bills of credit were not

always made a legal tender, they were usually

given a forced circulation. Most of the advocates

of paper money would have agreed with the New

York legislature that bills not legal tender were

useless.^ The direst penalties — fines, imprison-

1 Many colonies experienced difficulty in collecting interest and

principal Felt, 70 ; Bronson, 59 ; Shepherd, 419 ; Iredell, Laws,

1 1 7-1 18 ; Docs, of N. Y., VII. 204. In Rhode Island interest was

often defaulted. Potter and Rider, 16, 34, 35. Once, when a loan

became due, it was extended for ten years without interest. Identf

19. In 1 741, in only six towns, 539 lawsuits were begun for the

collection of loans. Idem, 56. In 1759, when the affairs of the

loan office were settled up, ;f 50,269 was found to be unpaid and

uncollectable. Idem, 96. This was nearly eleven per cent of the

principal of the nine loan banks that had been issued. Ideniy 135-

138. For an account of the speculation in "sharers'" privileges

see Douglass, Discourse, 308-309.

\* Femow, 329. When Connecticut bills were made legal tender

only at their current value in specie, the debtor party secured the

repeal of the law in three years. Bronson, 63.

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ment, and confiscation — were imposed upon those

evil-disposed persons who should dare to discrimi-

nate in favor of specie; but such forcing laws

were as ineffectual in supporting the credit of the

paper money as they have proved in all other

cases.^ When older issues had depreciated hope-

lessly, " bills of a new tenor \*\* were often emitted ;

and these were sometimes followed by others of a

newer tenor. Thus it happened that issues of the

"old tenor," "middle tenor," and "new tenor\*'

circulated concurrently at different rates of depre-

ciation, the legislature usually undertaking to fix

the relative values of the three classes of cur-

rency.^ In order to prevent depreciation some

of the issues bore interest, but this was a pro-

vision that was readily repealed by subsequent

assemblies.\*

As has always been the case, the appetite for

paper money increased with the issues of bills of

credit. Complaints of the scarcity of money almost

invariably followed each emission, and one pre-

text after another was found for issuing larger

^ The influence of the tender laws of Virginia is well described

by Bumaby, 31-32.

\* Felt, 92, 107 ; Bronson, 56, 59, 63, 65 ; Papers of N. H., V.

143, 145, 621, 623 ; Potter and Rider, 53-56. In Massachusetts,

one shilling of the new tenor was declared equal to three of the

old tenor. In Rhode Island the proportion was one to four.

Douglass mentions " old tenor, middle tenor, new tenor first, new

tenor second." Douglass, Summary, I. 493.

•Felt, 57, 75; Hickcox, Bills of Credit, 14; Ripley, 156;

SUt of S. C, II. 712, 713, IX. 766 ; Douglass, Summary, II. 254.

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quantities of paper.^ Trade was said to be decay-

ing, public buildings had to be constructed, forti-

fications were needed, and dozens of other things

must be done by setting the printing presses at

work. The experience of the colonies demon- \

strates conclusively the impossibility of satisfying |

the desire for "more money " by issuing a paper '

currency. Depreciation commenced at an early

date, and tended to increase as time went on. In

New England sterling exchange was 133 in 1702,

a rate corresponding exactly to the rating of the

dollar at 6s, In 171 3, it rose to 150, and had

reached 550 by the year 1740. The climax was

reached in Massachusetts and Connecticut in 1749

and 1750, when exchange was quoted at 11 00,

indicating a depreciation of nearly 9:1, In

Rhode Island, the old tenor bills finally sank to

23 for I. In the middle colonies the depreciation

1 In Rhode Island, says Mr. Bates, one emission of bills " only

created the demand for the next." Bates, 33. When Connecticut

had issued enough paper to cause a depreciation of fifty per cent,

complaints of a scarcity of money became so numerous that the

legislature once more made taxes payable in produce. Bronson, 38,

56. The same thing occurred in Massachusetts. Felt, 76. Hutch-

inson describes these complaints of the scarcity of money in Mas-

sachusetts. Hutchinson, History, II. 211, 340, 341. In Virginia,

in 1776, when the state had issued ;f 350,000 and Congress had

emitted ]$io,ooo,ooo, ''freeholders" petitioned the legislature for

more currency. Phillips, I. 200. For such complaints of a lack

of money in the time of superabundant issues of paper, see Bates,

33-35; Potter and Rider, 33-34; Hutchinson, History, II. 197,

210,295; Bronson, 32; Shepherd, 414; Femow, 321; Phillips, I.

69, 70» 74. 76, 77-

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never reached such figures. In Pennsylvania

exchange once reached i8o, while the par of

exchange for specie was not higher than i66J.

In Maryland exchange rose from 133 to 250. In

North and South Carolina the paper currencies

finally sank to one-tenth the value of sterling.^

Such fluctuations in the standard of value

wrought intense hardships. In 1741, Governor

Shirley stated in his message to the Massachusetts

legislature : " A creditor who has the misfortune

of having an outstanding debt, of the value of 1000

pounds sterling, contracted anno 1730, can now

receive no more in our courts of judicature , . .

than the value of about 650 pounds sterling."

Between 1741 and 1749 exchange rose from 550

to 1 100, so that, as Douglass said, " Every honest

man not in debt lost about one-half of his personal

estate." 2 A widow who had had an income of £$

found by 1748 that this was reduced to about one-

eighth of its original value.^ Clergymen's salaries

suffered a corresponding reduction, so that Massa-

chusetts passed an act allowing them to receive

bills of credit \*' only at their real value." \* Harvard

College is said to have lost ;^ 10,000, and the Scotch

Charitable Society of Boston suffered sixty-six per

^For New England in general, see Douglass, Summary, I. 494;

Wright, LXI. For Rhode Island, Potter and Rider, 100. For the

middle colonies, Douglass, Summary, I. 494, II. 365. For the

Carolinas, Ramsay, II. 168; Douglass, Summary, II. 494.

\* Douglass, Summary, I. 497, II. 14. , i

\*Minot, I. S4.

\* Felt, 79.

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cent loss upon the repayment of some of its invest-

ments.^ Under such conditions of demoralization,

it is not strange that the legislature of Massachu-

setts complained of "universal infectious corrup-.

tion " in the conduct of public affairs, and that

Hutchinson observed that " the morals of the peo-

ple depreciate with the currency." ^

In 1749, when the currency had depreciated to

nearly one-eleventh of its nominal value, Massa-

chusetts succeeded in redeeming it at a rate of 7^

shillings of paper for one shilling of specie.' This

was accomplished with the aid of a grant of

money which Parliament had voted in order to

recompense the colony for its expenditures during

King George's War.\* Efforts were made to secure

the cooperation of the other provinces of New

England, but without immediate result. Connecti-

cut finally adopted a plan similar to that followed

1 Douglass, Discourse, 366; Q,J, £,, XI. 143,

'Douglass, Summary, I. 500; Hutchinson, History, H. 391.

Douglass has described very well ''The Mischiefs arising from a

large Paper Currency." He shows, for instance, that wages

changed less rapidly than prices, so that laborers suffered from the

disturbances caused by paper money. He states that in 171 2, when

silver was at Ss, per ounce, wages were 5^. a day; while in 1739,

when depreciation had driven silver up to 2gs, per ounce, wages

were only 12s, 9. day. See Discourse, 322-325.

•The act provided that 451. old tenor should be exchanged for

one dollar. With a dollar rated at 6^., this gives a ratio of 7} : i.

^Hutchinson, I. 392-395; Douglass, Summary, II. 15-16; Felt,

1 18-122, 131; Weeden, 674-677; Douglas, Fin. Hist., 131-133.

Shortly before this action was taken, the currency had fallen into

such a wretched condition of depreciation, that people were driven

to barter. Minot, I. S4.

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by Massachusetts, and decided to retire her cur-

rency at the rate of 8| for i. Some years later,

New Hampshire made a tardy provision for at

least a part of her paper issues ; and Rhode Island

exchanged her bills for treasury notes, or allowed

them to be paid for taxes at a high rate of depre-

ciation.^ The opponents of resumption in Massa-

chusetts predicted that such a policy would deprive

the people of a circulating medium, and ruin all

branches of trade. The result was that a specie

currency was restored and industry prospered.

Prior to this time, Newport had controlled the

importation of West India goods into some parts

of Massachusetts. This trade at once passed over

to Boston and adjoining ports, and Rhode Island

paid the penalty for her obstinate adherence to a

fluctuating paper currency.\*

iFelt, ii8; Bronson, 67-73; Papers of N. H., V. 565-568, 574,

VI. 225, 226, VII. 58, 65, 145; Belknap, XL 425; Potter and

Rider, 67, 80, 97.

^ It seems probable that the resumption of a specie basis was

attended with some temporary inconvenience. A private letter

from Boston, of the date of June 17, 1750, says: "Trade is quite

dead, the Town is dull and still as on a Sunday; full of Goods, but

no Money to buy; . . ,\*\* Mag, of Amer, Hist, \\,62\*j. Douglass

refers to a similar situation in 1750. Summary, II. 88. A threat-

ened uprising of the paper money men resulted in a passage of a

stringent riot act. Felt, 1 29-1 31. But all such difficulties were

merely temporary, for the colony certainly enjoyed great subse-

quent prosperity, while the trade of Rhode Island languished.

Weeden, 676, 736; Potter and Rider, 24, 68. The French and

Indian War and the confusion attending the controversy with Great

Britain were injurious to trade, but yet the colony prospered until

the Revolution. Htltchinson could write in 1771: "Commerce

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During this carnival of fraud and corruption,

interference by an act of Parliament had often

been invoked. English merchants had sometimes

complained to the Board of Trade concerning the

losses to which the dishonest American currencies

had subjected them. The instructions of colonial

governors frequently directed that consent should

be refused to the passage of laws for the emission

of paper money.^ The governors often opposed

most vigorously all attempts to issue a depreciating

currency, and violent contests with the legislative

bodies not infrequently ensued. In Massachusetts,

the governor's salary was refused when he could

not be induced to consent to such measures ; and

in South Carolina, no acts passed the assembly for

four years on account of a deadlock over the sub-

ject of paper money.\* Such occurrences were by

no means peculiar to these two colonies, and the

never was in a more flourishing state. The Massachusetts province

was, in this respect, the envy of all the other colonies; and while

the other colonies, by encouraging a delusive paper medium of

trade, had banished silver and gold, the Massachusetts had drawn

them, not only from several of the other colonies on the continent,

but from Jamaica, and more or less, every year, from Spain and

Portugal, and had obtained the name of the silver money colony.''

History, III. 350. See also II. 395-396,

^ In 1720, instructions to this effect were sent to all the govern-

ors, and such instructions were commonly repeated during the

next forty or fifty years. Docs, of N. Y., V. 539; Papers of N. H.,

III. 814 ; Col. Recs. of Penn., III. 261 ; Greene, 163 ; Hutchin-

son, II. 339 ; Felt, 76, 81, 84 ; PhUlips, I. 15, 51-55.

> Hutchinson, II. 298; Greene, 173; Whitney, 11 3-1 14;

Winsor, V. 328-329 ; Ramsay, II. 165.

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political party that stood for popular rights, as

against the prerogative of the royal or proprietary

governor, regularly included all the advocates of

paper currencies,^ When threats or open defiance

failed, the assemblies were accustomed to resort

to bribes in order to accomplish their purpose.^

Finally, in 175 1, Parliament passed an act pro-

hibiting any of the New England colonies from

emitting bills of credit and making them legal

tender ; but permission was given to issue treasury

notes that should be redeemed at the end of brief

periods from the proceeds of taxation, and should

not be given a forced circulation.^ Such a whole-

some restriction was immediately denounced as

^The New Jersey assembly refused supplies for two years on

account of the governor's rejection of various measures, among

which was a bill for issuing more paper. Mulford, 346 ; Pap. of

Morris, 213-226, 250, 270, 274, 310, 314-320. In New York, the

right to limit the time of revenue bills was used to extort consent

to issues of bills of credit Docs, of N. Y., V. 805. The Massa-

chusetts legislature refused to provide for the debts of the province

because Governor Belcher would not issue paper money. Felt,

86. See also Shepherd, 424-428 ; Fernow, 323 ; Williamson, II,

65 ; Felt, 69, 76-79, no.

2 Scharf, II. 35-36 ; Douglass, Summary, II. 14, 365 ; Phillips,

I. 72 ; Pap. of Morris, 2i6; Williamson, II. 8i. The Massachu-

setts legislature reduced the salary of Governor Shute, who was

unfriendly to the projects of the paper money men ; while Governor

Shirley, who proved more pliant, had his allowances and perquisites

increased. Douglass, Summary, I. 492, II. 17-18.

• A number of writers had invoked interference by Parliament.

See Douglass, Discourse, 311 ; Ashley, Memoirs, 61-63. The

House of Commons first considered the question in 1740, when it

directed the colonial governors to refuse assent to laws for the

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" destructive of the liberties and properties of his

Majesty's subjects" in the colonies; but, in 1764,

Parliament passed another act which imposed a

similar regulation upon all the other plantations,

and required that outstanding bills of credit should

be gradually retired.^

This legislation put an end to probably all

further issues of legal tender bills.^ But " treasury

notes" or "orders" or bills of still other names,

receivable at the provincial treasuries, were exten-

sively employed until the time of the Revolution.

The New England colonies made a regular prac-

tice of issuing treasury notes that were redeemed

by taxes within short periods, and usually bore

interest. Similar issues under various names can

be found elsewhere.^ In 1769, Maryland suc-

ceeded in emitting j)3i8,oco of bills upon loan.

emission of legal tender bills. Journ. of H. of C, XXIII. 527-528.

Four years later, a bill prohibiting further issues was introduced.

Idem^ XXIV. 658. For the act of 1751, see Stat, at Large, 24

George II. c. 53.

1 Stat, at Large, 4 George III. c. 34. For Franklin's efforts in

opposition to this measure see Works of Franklin, IV. 11, 79-94.

In 1773, an explanatory act specified that treasury notes could be

made receivable at the provincial treasuries. Stat, at Large, 13

George III. c. 57.

^The writer has been unable to find any legal tender issues after

1763 except one in South Carolina. Stat, of S. C, IV. 312, 313.

But this was merely a reSmission of old legal tender notes that had

been outstanding for many years.

•Papers of N. H., VI. 506-507 ; Felt, 31 ; Bronson, 81-84 ;

Potter and Rider, 94, 100, 209 ; Shepherd, 433 ; Ripley, 157, 161 ;

Stat of S. C, IV. 323.

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and a larger issue followed in 1773.^ In 1771,

New York created another bank of ;£ 120,000, but

the bills were made legal tender only at the treas-

ury; and finally, upon the eve of the Revolution,

Pennsylvania and New Jersey attempted to rees-

tablish their loan offices.^ In 1774, therefore,

there must have been a considerable amount of

paper in circulation in America. Pelatiah Webster

estimated the "circulating cash" of the thirteen

states at ;$ 12,000,000 at this time.® He thought

that one-half or three-fifths of the currency of

Pennsylvania was made up of paper, and believed

that this proportion was not exceeded in other

states.

Under the political conditions that prevailed in

the colonies, it was inevitable that the question of

paper money should get into politics. In Mas-

sachusetts, this occurred in 171 3, when banking

projects were being agitated,\* and eight years later

Dr. Trumbull tells us that the paper money party

had become identified with the "popular" or

" liberal " party .^ This was natural, since the

governors and their councils often combated

vigorously all measures that tended to depreciate

the currency. Sometimes the governors undoubt-

edly opposed a paper medium because they had a

1 Laws of Md., 1769, c 14 ; 1773, c. 26.

\* Hickcox, Bills of Credit, 45-46 ; Phillips, I, 29, 76 ; Feraow,

334-335-

« Webster, 142.

\* Hutchinson, Hist., II. 188.

\* Trumbull, 30. Cf. Hutchinson, Hist., II. 394,

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just appreciation of its evils ; at other times they

seem to have been concerned chiefly with the

prospect that their fixed salaries would inevitably

be paid in bad money; and, often enough, they

received from England explicit instructions that

were intended to leave them no opportunity to

exercise their own discretion.^ In colony after ^'^^

colony, party lines came to be drawn upon this sole

issue ; and when opposition was encountered from

the governors or councils, deadlocks frequently

ensued. Public disturbances were often aroused

by these controversies over paper money, and a

factional and disorderly spirit was engendered.^

There can be no doubt that the debtor class, as a

rule, accorded an active support to the inflationist

party ; and conducted a persistent agitation for a

cheap currency with which existing debts could

be more easily paid. Even Franklin was unable

to deny, in 1764, the truth of the allegation that in

some colonies, at least, paper money had been

issued " with fraudulent views " through the influ- j

ence of the debtor classes.^ Douglass wrote, in >l

1749: "The Parties in Massachusetts Bay at

present, are not the Loyal and Jacobite, the Gov-

ernor and Country, Whig and Tory, or any religious

sectary denominations, but the Debtors and the

^ Sometimes the council proved more strenuous than the governor

in opposition to issues of paper, and stood out against the inflation-

ists even when the governor had yielded. See Greene, 77-78, 163.

\* This subject has been treated sufificiently in a previous note;

but see, in addition, Douglass, Discourse, 331-332.

« Works of Franklin, IV. 89.

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Creditors. The Debtor side has had the ascendant

ever since anno 1741, to the almost utter ruin of

the country/'^ He said: "Paper-money-making

assemblies have been legislatures of debtors, . . . ; " ^

and as much has been admitted by several of the

historians of colonial affairs.^ It is probable that

Thomas Paine did not overdraw the picture when

he wrote:\* "There are a set of men who go

about making purchases upon credit, and buying

estates they have not wherewithal to pay for;

and having done this, their next step is to fill the

newspapers with paragraphs of the scarcity of

money and the necessity of a paper emission, then

1 Summary, I. 535.

^ Idem^ I. 310. Elsewhere he says: "Men are chosen into

the legislature and executive parts of their government, not for

their knowledge, honour, and honesty, but as sticklers for depreci-

ating . . . the currency, by multiplied emissions : this year, 1750, the

parties amongst the electors of assemblymen were distinguished by

the names of paper money makers, and the contrary." Idem^ II.

87; cf. I. 314. Referring to the journal of the house for August

17, 1747, he says that complaints sent to the legblature concern-

ing depreciation were " referred to committees consisting of the

most notorious depreciators.'' Idem, II. 14. Cf. Discourse, 330,

•See Hutchinson, Hist, II. 295, 353. In 1740, a majority of

the representatives elected in Massachusetts were subscribers to the

land bank scheme, and at another time several of the leading repre-

sentatives were notorious debtors. In Rhode Island, the evidence

is perfectly clear. In 1731, the paper-money party secured com-

plete control. Bates, 36-37; Potter and Rider, 26, 30, 82; Ar-

nold, II. 53; Recs. of R. I., V. 312. On other colonies see

"Weeden, 490; Bronson, 42, 77; Fernow, 321; Ripley, 160; Wil-

liamson, II. 81; Col. Recs. of N. C, IX. 76.

\* Paine, II. 178.

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I

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to have a legal tender under pretence of supporting

its credit, and when out, to depreciate it as fast as

they can, get a deal of it for a little price,

and cheat their creditors ; and this is the concise

history of paper money schemes."

There is evidence that, as time went on and the

lessons of sad experience were learned, the leading

merchants and propertied classes in the colonies

began to appreciate fully the evils of the fraudu-

lent paper currencies. As early as 1714, a town

meeting in Providence protested against further

issues of paper.^ At about the same time in the

assembly of New York, the members from New

York City opposed an increase of the bills of

credit.^ In 171 7, merchants of South Carolina

protested against the policy of the inflationists in

that colony.^ Three years later, Thomas Hutch-

inson and other leading citizens of Boston urged

the legislature to emit no more bills upon loan, and

to retire outstanding issues as soon as practicable ;

while, at the same time, Salem instructed her rep-

resentatives to oppose further measures of infla-

tion.\* In 1723, "Gentlemen and Merchants of

Philadelphia" pointed out to the legislature the

danger attending the use of paper money ; ^ while

1 Arnold, II. 53. \* Fernow, 318.

•Ramsey, 11. 164; Carroll, II. 147-148.

\*Felt, 72, 73.

•Shepherd, 406-409; Annals, VIII. 52-53; Proud, II. 152-162.

The merchants seem to have drawn their arguments from Pollex-

fen's Discourse of Trade, Coin, and Paper Credit, a copy of which

was in the library of James Logan, one of the objectors.

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Franklin has written concerning the Pennsylvania

issues of 1729: "The wealthy inhabitants op-

posed any addition, being against all paper cur-

rency, from an apprehension that it would

depreciate, as it had done in New England, to

the prejudice of all creditors."^ In 1731, mer-

chants of Newport protested against renewed

emissions of bills of credit in Rhode Island.^ In

Massachusetts, Hutchinson tells us^ that, when

the land bank of 1740 was under consideration,

"men of estates and the principal merchants in

the province abhorred the project. ..." At

nearly the same date, Douglass said that "they

who call out loudest for this Paper Medium, are

not our large Traders."\* In 1750, leading citizens

of Rhode Island sent to the King a remonstrance

against the conduct of the paper-money party,

stating that the landholders of the colony had

mortgaged their lands as security for the loans

extended by the province, and now found it to

their interest to increase the volume of paper in

order that they might pay their debts with

worthless currency.^ Two years later twenty-five

merchants and traders of Hartford presented to

the Connecticut legislature the following interest-

ing petition for relief : " As the medium of trade

1 Works of Franklin, I. 152.

« Records of Rhode Island, IV, 457-461.

8 Hatchinson. Hist, II. 354.

\* Discourse, 330.

\* Records of Rhode Island, 311, 330, 334; Potter and Rider,

82-84.

SO

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is that whereby our dealings are valued and \J

weighed, we cannot but think it ought to be es-

teemed of as sacred a nature as any weights and

measures whatsoever, and in order to maintain

justice, must be kept as stable; for as a false

weight and a false balance is an abomination

to the Lord, we apprehend a false and unstable

medium is equally so, as it occasions as much

iniquity, and is at least as injurious."^ Finally,

Pownall has left us the following explicit state-

ment : " The majority of the men of business and

property in the Colonies have ever heretofore

{wished to have the assemblies restrained by act

of Parliament, from the power of giving the sanc-

tion of a legal tender to their paper money." ^

At this point it may prove interesting to review

briefly the arguments that were advanced in the

eighteenth century for and against government pa-

per money. The first issue of bills of credit in Mas-

sachusetts called forth a pamphlet, written probably

by Cotton Mather, in defence of paper money ; ^ and

the controversies that ensued during the next

eighty or ninety years resulted in a veritable del-

uge of writings dealing with the subject. Nearly

; thirty pamphlets appeared between 17 14 and 1721;

and, in 1728, government issues of paper were

1 Bronson, 71.

« Pownall, I. 198.

•Quotations from this pamphlet are given by Trumbull, 15-18.

Mather held that money '\* is but a Counter or Measure of men's

Properties." He favored a paper currency, "an abiding Cash,"

iince " no man will carry it to another Country."

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defended in a master's thesis at Harvard College.^

The flood of publications continued until the close

of the century, when it was thought that the Fed-

eral Constitution had finally barred the door to fur-

ther issues of bills of credit.^

The advocates of paper currency always claimed

that it was the only means by which a sufficient

circulating medium could be secured, and many

historians have accepted this plea with discredit-

able complacency. The opponents argued, on the

other hand, that an adequate stock of specie always

existed until it was displaced by a cheaper form of

money ; and that complaints of a scarcity of silver

were never so common as they always became after

repeated emissions of bills of credit.\* When, for

instance, the inflationists in Massachusetts were

endeavoring to secure larger issues of paper, in

1 71 2, Judge Sewall answered, in his speech in the

legislature: "I was at making the first bills of

1 Weeden, 485; Proc. Mass. Hist. Soc, XVIII. 124, 125.

\* Trumbull gives copious extracts from many of these pamplilets.

Other extracts may be found in Q, J. E,, XI. 70-91, 136-160.

Lists of scores of such publications may be found in Thomas, II.

370 et seq. ; and Douglas, Fin. Hist., 138-146. Especially valuable

is Winsor, v. 170-176. See, finally, a reprint of a pamphlet by

Hutchinson, in Proc. Mass. Hist. Soc., Feb., 1899.

\* Douglass, Discourse, 338; "A Countryman's Answer," quoted

by Felt, 74. In a protest of five members of the Rhode Island

legislature, in 1740, against the issue of more paper, are found

the following words : " In respe^ to trade, this bank will probably

so far depreciate the whole paper currency, that we shall have, in

reality, a less medium of exchange, and all complaints of scarcity

of money greatly increased." Recs. of R. I., IV. 580. Cf. Hutch-

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credit in the year 1690. They were not made for

want of money ; but for want of Money in the

Treasury."^ Dr. William Douglass argued in

1740: "The more a Country grows in good Trade,

the more true Medium of Trade it acquires/' ^

At a later date, John Witherspoon, Pelatiah Web-

ster, and Thomas Paine voiced similar opinions.^

These writers always insisted, as Douglass had

done in 1740, that "a trading Country must have

regard to the universal commercial Medium, which

is Silver; or cheat, and trade to a Disadvantage."\*

Like Paine, they inquired: "But why, since the

universal custom of the world has established

money as the most convenient medium of traffic

and commerce, should paper be set up in prefer-

ence to gold and silver .^"^ Frequ.^xtly, the advo-

cates of bills of credit argued that a large paper

currency would stimulate trade, and thus lighten

the weight of the taxes that would ultimately be

levied for redeeming the bills issued.® Douglass

inson, Hist., II. 197, 210, 340-341. Douglass argued that the

emission of a depreciating paper currency " does not add to the

real Medium, but rather diminishes from it" Discourse, 329.

Forty years later, Pelatiah Webster made the same contention.

Webster, 6. Writing in 1739, Douglass says that, with ;f 630,000

of paper circulating in New England, " Money was never so scarce

and Debts worse paid." Discourse, 333. Cf. also Idem^ 341.

1 Coll. Mass. Hist. Soc, Fifth Series, VI. 366.

\* Discourse, 342.

\* Witherspoon, Works, IX. 45, 50 ; Webster, Essays ; Writings

of Thomas Paine, II. 132-187. See especially. Writings, II. 179.

\* Discourse, 294. \* Paine, II. 178.

\* Hutchinson, Hist, II. 219, refers to these arguments,

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replied that inflation caused extravagance and spec-

ulation ; and Paine retorted : " Paper money is like

dram drinking ; it relieves for a moment by deceit-

ful sensation, but gradually diminishes the natural

heat, and leaves the body worse than it found it."^

When the inflationists urged that magnificent pub-

lic improvements could be undertaken by means

of government issues,^ Douglass reminded them

that some one must ultimately pay for all such

indulgences.^ Again, when depreciation set in,

and specie rose to a premium, the friends of paper

always claimed that the bills of credit had not

deteriorated, but that silver had risen in value on

account of the demands of persons who desired to

export bullion. To this effect Franklin wrote in

1729: "I need not say anything to convince the

judicious that our bills have not yet sunk, though

there is and has been some difference between

them and silver ; because it is evident that the dif-

ference is occasioned by the scarcity of the latter,

which is now become a merchandise, rising and

falling like other commodities as there is a greater

or less demand for it or as it is more or less

1 Discourse, 340-341, 365 ; Paine, II. 183-1S4.

\* See quotations given by Felt, 65, 72. Governor Ward, defend-

ing Rhode Island's issues, argued that the money had been expended

for public buildings, fortifications, and the like. Records of Rhode

Island, v. 8-14. Cf. Hutchinson, Hist., II. 219, 295.

•"The unthinking Part of our People do not consider, that

every emission of Paper Credit called Money, is laying a heavy Tax

upon us, which in Time will contribute to our Misery." Discourse,

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plenty." ^ Douglass replied : " The repeated large

Emissions of Paper Money are the Cause of the

frequent rise of the Price of Silver and Exchange."

This, he argued, was equivalent to saying that the

bills had depreciated. Under such conditions, the

premium on silver must follow, " the same as the

Tides do the Phases or Course of the Moon."^

After the depreciation of the paper had gone to

such lengths that it could no longer be denied, its

advocates always advanced, with the greatest com-

placency, the suggestion that the fall in the value

1 Works of Franklin, I. 376. In 1764, Franklin repeated

this argument, and at greater length. Works, IV. 89--91. He

said that soon after the emission of the first paper in Pennsylvania,

\*\* a difference soon arose " between silver and paper, due to the demand

for silver for export In 1721, when exchange had risen from 133

to nearly 270, the Massachusetts house of representatives thought

that a prohibition of selling bullion at more than Ss, per ounce

would remedy the difficulty, and that depreciation would not have

taken place at all if such a measure had been adopted at the very

start. Felt, 77. In 1740, Governor Ward of Rhode Island, and in

1750 the legislature, attributed the depreciation to the pernicious

practice of merchants in offering a premium for silver, \*\*to the

injury and oppression of many poor widows, orphans, and others."

Potter and Rider, 74, 161, 188. This was in the face of a rise in

exchange from 133 to 550 in 1741, and iioo in 1749. The solici-

tude of a legislature of paper-money inflationists for widows and

orphans is most interesting.

^ Discourse, 325. Hutchinson said of a bill prohibiting silver to

be sold above proclamation rates : " Such an act can no more be

executed than an act to stop the ebbing and flowing of the sea."

Hist, II. 222. See Writings of Paine, II. 179. In 1723, a petition

of Philadelphia merchants argued as follows : " But, from hence a

sure rule may be taken, in relation to paper, that by so much as the

value of the public bills sink, by so much will gold and silver rise,

in proportion to their intrinsic worth." Proud, II. 162.

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of the bills of credit had operated as a gradual and

insensible tax upon the community; so that no

great harm had been done after all. To this opti-

mistic view it was readily replied that such a tax

was the most unjust and harmful method ever

devised for meeting public expenditures. It taxed

only those who were so situated that they could

not avoid it, and benefited sharpers, speculators,

and dishonest debtors. It devoured the estates of

widows and orphans, paralyzed legitimate business

undertakings, and wrought untold injury to public

and private morals.^ Yet the advocates of a de-

preciating currency still insisted that bills of credit

were a necessity, and that government should

assume its proper duty of supplying money directly

to the people. No better answer has ever been

given than is found in the following words of Wil-

liam Douglass : ^ "In all Countries excepting in

Paper Money Colonies, the People support the

Government : it is absurd to imagine that a Gov-

ernment finds Money for its People, it is the Peo-

ple who by their Trade and Industry, provide not

only for their own Subsistence, but also for the

Support of Government. . . ."

This chapter of our monetary history presents

a sufficiently dark and disgraceful picture. But

certain important facts still remain to be noted

before we pass from the subject of provincial

paper currencies. For eighty years the people of

1 Douglass, Discourse, 322-325 ; Webster, 30-32.

^Dbcourse, 342-343.

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the colonies were schooled in the belief that bills

of credit furnished a proper and convenient means

of defraying public expenditures, ordinary as well

as extraordinary. Such issues, of paper would

depreciate, and could ultimately be wholly repu-

diated, or could be redeemed at a fraction of their

face value. Under such circumstances, there inev-

itably developed a strong disinclination to permit

taxation to be practised on any scale commensu-

rate with the public needs.^ The habit of paying

taxes readily and regularly is not easily acquired,

while it is lost with the utmost facility. The colo\*

nists, for three generations, were trained in a bad

school of public economy ; and had learned lessons

^ In Massachusetts, in the first half of the eighteenth century, the

policy of the legislature was " the abandonment of the constantly

increasing current expenses of the government, to be met by larger

and larger issues of bills of credit." Douglas, Fin. Hist, 121.

During a long term of years, only one budget provided for current

expenses. Cf. Hutchinson, II. 339. Pennsylvania, although more

moderate in her issues of paper prior to 1775, is found, on the very

eve of the Revolution, yielding to the \*\* temptation to overcome

instant wants by means of larger sums payable in the future."

Phillips, I. 28. Cf. Shepherd, 427. At the close of the colonial

period, Virginia, which had been far more conservative than most

of the colonies in her financial policy, was in a condition which Mr.

Bancroft describes as follows : "Virginia was, moreover, unpre-

pared for war. Its late expedition against the Shawnee Indians

had left a debt of a hundred and fifty thousand pounds ; its cur-

rency was of paper, and it had no efficient system of revenue."

Bancroft, Hist., IV. 144. With such conditions prevailing in the

larger and more populous colonies, it is easy to conceive of the

situation elsewhere. Professor Sumner has described admirably

the tardy and inadequate development' of colonial taxation. Sumner,

Financier, 1. 11-54.

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that were soon to bear bitter fruit. It is not at

all remarkable that, in the Continental Congress

of 1775, members are reported to have entertained

strong objections to burdening their constituents

with taxes, when it was possible to send to a printer

and obtain a wagon load of money, one quire of

which would pay for the entire sum needed to pros-

ecute the struggle for independence.^ In opposing

the attempts of Parliament to levy taxes upon them,

the colonies were contending not only against " tax-

ation without representation," but also against tax-

ation in any form. They were quite as certain

that it was impracticable to secure representation

in that body, as they were that Parliament ought

not to tax them without their consent.^ Finally,

as a matter of simple historical fact, there can be

little doubt that the acts of 1751 and 1764, which

suppressed further issues of bills of credit, contrib-

uted not a little to the final breach with the mother

country. In 1744, when Parliament was consider-

ing the advisability of prohibiting colonial issues

of paper money, the New York assembly resolved

that such a measure would be contrary to the con-

stitution of Great Britain, incompatible with the

rights and liberties of Englishmen, and likely to

1 Webster, 7-8.

2 The declaration of rights, adopted by the Stamp Act Congress

in 1765, maintained that taxes could not be imposed upon the

colonists without the consent of their representatives, and that the

colonies, \*\* from their local circumstances,'' could not be represented

in Parliament. Niles, 457. Professor Sumner has stated the

matter very clearly. Sumner, Financier, I. 25.

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subject America to the absolute will of the Crown.^

The action finally taken by Great Britain aroused

the most bitter feelings of resentment ; and the

law of 1764 was enacted at a time when the minds

of Americans were excited over the Stamp Act,

I and the wisdom of the restrictions imposed upon

the paper currencies was the less likely to be

admitted. In 1766, when he was examined before

the House of Commons, Franklin gave it as his

deliberate opinion ^ that one reason for the impa-

tience and disrespect which the colonies were

manifesting toward Parliamentary authority was

" the prohibition of making paper money." Too

little attention has been given to this fact by most

American historians.^

1 Hickcox, Bills of Credit, 32 ; Winsor, V. 203. Similar decla-

rations were made in other colonies. See Felt, 81, 115 ; Bronson,

68 ; Pap. of Morris, 221.

« Works of Franklin, III. 418. Cf. IV. 106.

•Mr. Felt seems to be the first writer to appreciate this fact.

Felt, 132.

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CHAPTER V

CONTINENTAL PAPER MONEY

The story of our Revolutionary paper money

supplies the next chapter in the experience of the

United States with a cheap medium of exchange.^

With the inception of the struggle against Great

Britain, the colonies were confronted with the prob-

lem of raising the supplies necessary for the pros-

ecution of the war. In the spring and early

summer of 1775, revolutionary assemblies or con-

ventions were convoked in various provinces, and

preparations were made for the public defence.

With the restraining influence of the royal govern-

ors and the acts of Parliament removed, it was

practically certain that issues of paper would be

renewed. The disinclination to pay taxes, which

had been fostered by eighty years of false finan-

cial methods, inevitably asserted itself in a refusal

to meet by heavy taxation the burdens incurred in

a war that was caused in large measure by oppo-

sition to the taxing power of Parliament.

The Continental Congress has often been blamed

for resorting to the disastrous expedient of issuing

paper money, but the financial policy of the Revo-

1 On this subject much has been written. See bibliography in

Bullock, 122. Since this bibliography was written, two other

accounts of the continental currency have appeared. See White,

134-148 ; Holt, in Sound Currency, V.

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lution was practically settled by the provincial

assemblies. Congress did not convene in Phila-

delphia until May lo, and did not determine to

issue bills of credit until June 22.^ Meanwhile,

Connecticut had decided in April to emit paper

money ; and Massachusetts had\* adopted a similar

measure seven days before Congress assembled.^

Before the month of May had expired, Rhode

Island pursued a similar course; and, in June,

New Hampshire, Pennsylvania, and South Caro-

lina followed suit\* During the next few months

all the other colonies, without a single exception,

decided to provide the sinews of war by means of

bills of credit\*

Although the Continental Congress was a revo-

lutionary assembly which might conceivably have

attempted to assume all the authority of a strong

national government, it is almost certain that such

a course would have resulted in the downfall of

that body. It was in reality a consultative assem-

blage, whose powers were limited by the wishes of

the several colonies. In order to exist and to

maintain any respect for its authority. Congress

had to be governed by the temper of its constitu-

ents ; and, in respect to the proper financial policy,

ijourn. of Cong., June 22, 1775.

«Conn. Recs., XIV. 432 ; Force, II. 782.

»Rec8. of R. I., VII. 321 ; Force, 11. 659, 1168 ; Ramsay, II.

171. For South Carolina, Force mentions no issue before Novem-

ber 15. See Force, IV. 55.

\* Force, II. 1551, III. 113, 197, 575, 1240; Laws of Del., I.

571-586 ; Laws of Md., 1780, c. 22, note.

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the wishes of the people of America had already

been indicated with sufficient clearness by the

action of the various provincial assemblies.^ These

bodies had commonly pledged the half or the whole

of their estates for the preservation of their sacred

liberties, but they had shown a uniform determina-

tion to raise money by sacrificing only the estates

of those people who were helpless to avoid the

losses of a depreciating currency. It is perfectly

true that the expenses of any war must, apart from

help secured in foreign countries, be defrayed out

of the annual produce of the industry of a people ;

and that taxation is the safest, surest, and wisest

method of meeting such expenditures. But the

hands of Congress seem to have been bound by its

lack of authority and the manifest desires of the

people. The New York assembly, and probably

some others, had conveyed to the men gathered

in Philadelphia explicit statements of their sen-

timents;^ and the actions of various provincial

^ For a somewhat different view see Bronson, 146-156.

^The New York provincial congress, as early as May 26, sent to

the New York delegates at Philadelphia a letter stating that, since

it would be impossible to conduct the war without paper money,

the council was about to consider that subject, and would communi-

cate the results of its deliberations as soon as possible. Force, II.

1255. The New York council appointed a committee, of which

Gouverneur Morris was a member, to consider the subject of a

paper currency. Sparks, Morris, I. 38. This committee reported

in favor of a continental currency on May 30, and its report was

adopted and forwarded to the delegates in Philadelphia. Force,

II. 1 262-1 264, 1 281. New Hampshire also expressed its desire for

paper money. Papers of N. H., VII. 483.

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congresses in actually issuing paper were more

significant than any words.^

Thus the Continental Congress and the individual

colonies, or states, undertook to carry on the strug-

gle for independence by the aid of bills of credit.

The dangers of such a course were fully appreci-

ated by many men, but the temper of the great

body of the people could not be mistaken. Recent

historians have investigated with great care and

entire fairness the extent and character of the

opposition which the revolutionary movement en-

countered from many of the most intelligent and

respectable persons in America, and have assured

us that earlier writers have failed to do justice to

the strength and honesty of that party which con-

sidered separation from the mother country to be

unnecessary and undesirable.^ With the history

of colonial paper currencies before us, it is reason-

able to believe that the fe;ar of reckless issues of

bills of credit was certainly one cause for the hostile

attitude assumed by a large portion of the conser-

vative, propertied classes.^

^ How well Congress understood the disposition of the colonies,

and the limits of its own authority, is well shown in some " Obser-

vations on the Finances of America," which were sent to Franklin

in 1778. The " Observations" pointed out that, since America had

"never been much taxed" and the war was "upon the very

question of taxation," " the laying of imposts, unless from the last

necessity, would have been madness." Sec. Joum. of Cong., II.

118.

^ See Tyler, I. 293-315 ; Amer. HisU Rev,, I. 24-25 ; Sumner,

Hamilton, 48-51, 53-61.

\*£ven John Adams was afraid of what the debtor class would

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Congress began by issuing $6,cx)0,cx)0 of paper

money before the close of 1775, and urged the

states to redeem their respective quotas of the

bills by imposing taxes.^ But the states refused

to resort to taxation, except for inconsiderable

sums, and continued to emit increasing amounts

of their own paper. After unsuccessful efforts to

raise revenue by such expedients as a lottery and

a domestic loan,^ larger continental issues had to

be emitted. In 1777, Congress began to make

requisitions upon the states for money that was to

be raised by taxes which only the states could

impose ; but these requests met with such a par-

tial compliance that further issues of paper were

placed in circulation. Several years elapsed before

the states instituted effective systems of taxation,

and little assistance was secured from this source,^

Loans and subsidies furnished by France brought

considerable sums into the federal treasury; but

more and more paper was emitted, the amounts of

the issues increasing as the depreciation of the

currency progressed. By the end of 1779, Con-

gress had issued $24i,Soo,ocx) of the continental

bills of credit ; while the states had gradually in-

creased their emissions to more than $200,cx)0,cxx).\*

do if power should pass completely into its hands, '\* for half the

nation are debtors." Works of Adams, II. 420.

1 Bullock, 125.

^Idem, 166-167, and references there given.

^ Idem, 151-164 ; Sunmer, Financier, I. 11-34, II. 64-80;

BoUes, I. 190-205.

^Bullock, 125-130. The estimate of the amount of paper

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CONTINENTAL PAPER MONEY

At the opening of 1781, a dollar in paper was

worth less than two cents in specie, and the cur-

rency soon afterward sank in value to such an

extent that it became practically worthless.^

Congress knew, as is shown by its resolution

adopted Nov. 22, 1777, that "when a quantity

of money of any denomination exceeds what is

useful as a medium of commerce, its compara-

tive value must be proportionately reduced." ^ But

the unwillingness of the states either to levy taxes

themselves, or to allow Congress to do so, seemed

to leave no alternative but to continue the conti-

issued by the states is from Schuckers, 127. The figures have

been considered too large by some writers. See Knox, 10. But

the writer has collected sufEcient data to justify the statement

given by Schuckers.

1 Until 1779, the depreciation was fairly gradual. Late in 1775

and early in 1776 committees of safety and other similar bodies

took measures to force unwilling persons to accept the money.

Force, III. 1799, IV. 887, 888, 896, 941, 942, 1211, 1284. By

May, 1776, the depreciation of the paper has oeen clearly estab-

lished. Sumner, I. 49-50. The last half of 1776 saw a continuous

depreciation, until, by the opening of 1777\* a depreciation of thirty-

three per cent was acknowledged by law in Pennsylvania. Phillips, I.

33. A year later four dollars in paper were equal to no more than

one dollar in specie ; and by January, 1779, the rate was eight for

one. During 1779, the currency rapidly declined to one-fortieth

of its nominal value. Bullock, 133. After 1780, it sometimes cir-

culated at rates of five hundred or one thousand for one. Webster,

502 ; Elliot, UI. 472. Finally barbers' shops were papered with

it, and suits of clothes were made out of it. Breck, 19.

2 Joum. of Cong., Nov. 27, 1777. Many of the leading Ameri-

cans understood this perfectly. John Witherspoon and Pelatiah

Webster are notable examples. See also the extracts given by

Simmer, Financier, I. 43-44, 95-97.

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nental issues. When the bills began to depreciate,

the states were requested to declare them a legal

tender for all debts; and this recommendation

was willingly accepted. Legal tender laws were

passed, and every possible effort was made to

force the circulation of the paper.^ Price con-

ventions were held, and these assemblages made

futile attempts to regulate prices.^ General Wash-

ington was authorized to seize whatever supplies

might be required for his army, and to compel the

owners to sell their goods at reasonable prices.'

All such methods were as idle as attempts to vio-

late the natural laws of money have always proved

to be. Persons who refused to sell their lands,

houses, or merchandise for nearly worthless paper

were stigmatized as misers, traitors, forestallers,

and enemies of liberty;\* but prices continued to

rise, as the inflation of the currency proceeded

apace. Stores were closed or pillaged, and mer-

chants were mobbed, fined, or imprisoned;^ but

such action merely drove men out of business, and

^Felt, 169-170; Papers of N. H., VIII. 144; Bronson, 90, 95;

Hickcox, BUls of Credit, 50; Mulford, 439; Laws of Md., 1777^

c. 9; Laws of Del., II. 599; Col. Recs. of N. C, X. 194-196; Mc-

Call, II. 127, 134; Phillips, I. 31, 32, 78, 199.

'Sumner, Financier, I. 53-66, 72-78; BoUes, I. 158-167; Byon-

•on, 92 ; Potter and Rider, 168-171.

•Journ. of Cong., Dec. 27, 1776; Bullock, 128.

\* Force, III. 1799; Felt, 168; Phillips, I. 78; CoL Recs. of

N. C, X. 194-196; Sumner, I. 61.

\*Some of the penalties imposed upon " depredators" were fines,

forfeiture of debts or goods for which paper was tendered, confisca-

tion of property, imprisonment, and disqualification for holding

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tended to produce a real scarcity.^ Even Wash-

ington failed to appreciate the true cause of the

rise in prices, and bitterly condemned those who

were g^lty of what he called " forestalling \*' and

"engrossing/\* 2 Yet men like John Witherspoon

labored to show him that, "Fixing the prices of

public oflSces and prosecuting suits at law. Phillips, I. 32, 80, II.

129-132; Bronson, 90-92, 122; Hening, Stat., IX. 147; Laws of

Md., 1777, c. 9; Laws of Del., II. 599; Breck, 23-24.

^A letter from Boston, written in June, 1777, says: "We are all

starving here. Since this plaguey addition to the regulating bill,

people will not bring in provision, & we cannot procure the com-

mon necessaries of life." And, in 1779, the same person wrote:

"We are likely to be starved thro'out Boston. Never such a

scarcity of provisions." Coll. of Mass. Hist. Soc., Sixth Series, IV.

•124, 152. See also p. 139. For a similar complaint see Pickering,

I. 242.

^ Many laws were passed against these offences. Bronson, 91;

Mulford, 463; Sumner, Financier, I. 50, 53, 54, 57-59, 62-64, 77.

Washington denounced "the monopolizers, forestallers, and en-

grossers," wishing that they might be hunted down as " pests of

society " and " hanged upon a gallows five times higher than the

one prepared for Haman." Writings of Washington, VII. 282.

But Washington himself had been guilty of discriminating against

the paper money. In September, 1777, he advised John Parke

Custis to take care that the rent of a tract of land " shall have some

relative value, to secure an equivalent for the land and slaves."

He expressed a willingness to receive paper money, but at " equal

value to its intrinsic worth at the time of fixing the rent." Idem^

VL 90-91. The next year he advised Custis not to sell land

faster than he could reinvest the purchase money in other lands.

Exchanging lands for paper might be eventually " a means of giving

away the estate." Idem^ VII. 214-216. In August, 1779, Wash-

ington decided to "receive no more old debts" at "the present

nominal value of the money." The law, he thought, " never was

nor could have been intended to make a man take a shilling or six-

pence in the pound for an honest debt." Idem, VIII. 20.

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commodities has been attempted by law in several

states among us, and it has increased the evil it

was meant to remedy, as the same practice has

done since the beginning of the world." ^ And

Pelatiah Webster insisted that the " utmost efifect "

of forcing laws " was like that of water sprinkled on

a blacksmith's forge \*';^ but the tender acts were

not repealed until after the paper had become

practically valueless.^

The misery and iniquity wrought by the depre-

ciating currency were beyond all description. The

rise of prices encouraged the most demoralizing

speculation, while the sudden acquisition of un-

earned and undeserved wealth by rascals and

sharpers stimulated the most wanton and shameful

'^travagance.\* Washington has drawn a correct

picture of the conditions, the cause of which he did

not originally understand: "If I were to be called

upon to draw a picture of the times and of men,

^See letter to Washington, in Witherspoon, Works, IX. 150.

In his \*\* Essay on Money," Witherspoon held that the laws making

paper a legal tender " are directly contrary to the first principles of

commerce." Works, IX. 41.

2 Webster, 129.

\*It was not until 1780, when the paper was worth only one or

two cents on the dollar, that Congress advised the states to amend

or repeal their tender laws. Journ. of Cong., March 20, 1780.

\* General Greene wrote that luxury and dissipation were very

prevalent in Philadelphia, and called them \*\* the common offspring

of sudden riches." Mr. Stone has written, "Philadelphia soon

became the centre of speculation and of the pursuit of private gain."

Fenn, Mag., III. 362, 376. In general, sec Greene, Hist. View,

160; Belknap, 146-147 ; Breck, 28; Sumner, Financier, II. 136-137.

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from what I have seen, heard, and in part know,\

I should in one word say, that idleness, dissipation, |

and extravagance seem to have laid fast hold of 1

most of them ; that speculation, peculation, and an^

insatiable thirst for riches seem to have got the

better of every other consideration, and almost

every order of men ; . . . " ^ . The paper money

opened the door to the most shameful frauds

upon all who were so unfortunate as to be in the

position of creditors. Dishonest debtors were

enabled to pay their debts in worthless currency. /

Witherspoon wrote, "For two or three years we •

/constantly saw and were informed of creditors

running away from their debtors, and the debtors

pursuing them in triumph, and paying them with-

out mercy.'\* ^ Many persons lost a large part or the /

whole of their fortunes.^ Guardians of trust funds

were enabled to acquit themselves of their obliga-

1 Sparks, Writings of Washington, VI. 151.

\* Witherspoon, Works, IX. 36. In Rhode Island, in 1786,

stories were told of creditors " leaping from rear windows of their

houses or hiding themselves in their attics," in order to escape

debtors. Potter and Rider, 120.

• McKean lost ;f 6ocx> by depreciation. Atner, Hist, Rev,, II. 99.

William Livingston was worth ;^85f9 prior to the paper money era.

He lost a large part of this by having debts paid in worthless paper.

Sedgwick, 158. Richard Henry Lee found that, in 1779, he was

receiving as rent for four thousand acres of good land a sum of

money that would not purchase four barrels of corn. Lee, II. 45-

46. Jefferson offered to repay a personal loan with currency depre-

ciated to one-fourth of its nominal value. Some years later, how-

ever, he caused payment to be made in full. Ford, Writings of

Jefferson, IL 181-182. Jonathan Amory received for debts money

worth only one-sixth of its nominal value. Weeden, 799. Cf. also

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tions by paying widows and orphans in paper that

was worth only the smallest fraction of its nominal

value.^ Pelatiah Webster could well say of this

iniquitous currency that it had " polluted the equity

of our laws ; turned them into engines of oppres-

sion and wrong; corrupted the justice of our

public administration; destroyed the fortunes of

thousands who had most confidence in it;" and

had gone far "to destroy the morality of our

people." ^ Memories of those times were burned

into the minds of all honest men who witnessed

p. 803. The rich were often impoverished, while the poor acquired

sudden riches. Wells, III. 75. In 1786, the superior court of

Rhode Island heard twenty bills in equity brought by people who

sought to discharge mortgages with worthless paper. The legal

tender bills were brought into the court by the sackful. Bates, 144.

Mr. Breck, who took the most favorable view possible concerning

the currency, wrote; "Old debts were paid when the paper money

was more than seventy for one. Brothers defrauded brothers,

children parents, and parents children. Widows, orphans, and

others were paid for money lent in specie, with depreciated paper,

which they were compelled to receive." Breck, 28. See, finally,

BoUes, I. 179-180.

1 In Philadelphia, a guardian invested the fortune of his ward in

real estate at some time prior to the Revolution. In 1779, when

seventeen paper dollars were worth only one in specie, he proposed

to pay the principal of the estate in continental paper at its nominal

value. Phillips, II. 158. Benjamin Greenleaf, judge of probate in

Essex County, Mass., has left us a most interesting statement of the

injustice wrought by a depreciated currency, in the settlement of

estates. Q, /. E,, IX. 243-246.

2 Webster, 175, 176. Mr. Breck has written: "The morals of

the people were corrupted beyond anything that could have been

believed, prior to the event. All ties of honor, blood, gratitude,

humanity, and justice were dissolved." Breck, 28.

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them; and never during their lifetime did the

national government again resort to such a villa-

nous agency of fraud and corruption.^

For a long time Congress had refused to admit

that depreciation had taken place, and had re-

peatedly pledged the public honor, its sacred

honor, and several other kinds of honor, that the

currency would certainly be redeemed at its face

value.^ Insinuations that the paper would be

repudiated were indignantly rejected as " deroga-

tory " to the honor of that body ; while, as late as

September 13, 1779, Congress declared, in a public

address: "A bankrupt faithless republic would

be a novelty in the political world, and appear

among respectable nations like a common prosti-

tute among chaste and respectable matrons." We

are, therefore, at no loss for forcible language in

which to describe the action that was taken only

six months after this solemn declaration was sent

to the various states. On March 18, 1780, when

one dollar of the paper was worth only one or two

cents. Congress adopted a plan for redeeming it at

one-fortieth of its nominal value.^ It may be true

1 Of course the continental paper called forth many discussions

of the subjects of money and credit. We have often referred to

Witherspoon, Webster, and Paine. Various discussions may be

found in the Amer. Mus,, II. 23-73. See also the references in

Sumner, Financier, I. 79-80, 88-89.

^Journ. of Cong., Dec. 26, 1775 ; Dec. 28, 1776; Nov. 22,

1777; Dec. 29, 1778; Jan. 2, 1779; Jan. 13, 1779; Sept. 13,

1779.

•Bolles, I. 135, 207; Sumner, Financier, I. 85-87; Bullock,

136-138 J Journ. of Cong., March 18, 1780.

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that there was good reason for despau-ing of the

ability of the Confederation ever to redeem the

bills of credit at par ; and it is certain that such a

course would not have repaired the losses that had

been suffered by most of the original holders of

the bills. Nevertheless the resolution of 1780 was

just what Witherspoon called it, "The first and

great deliberate breach of public faith \*' and " an

act of bankruptcy." ^ Congress probably justified

its action, as Jefiferson did in 1786, by claiming

that the " former ofifers to redeem this money at

, par " were " relinquished by the general refusal to

take but in progressive depreciation." ^ Yet this

does not alter the simple fact that thirty-nine for-

tieths of the paper was absolutely repudiated.

Franklin might say, as he did in 1779, that "there

is some advantage to the public in the depreciation,

as large nominal values are more easily paid in

taxes, and the debt by that means more easily

extinguished." ^ But such a complacent view was

merely indicative of a loose sense of moral obliga-

tions. As a matter of fact, the credit of the

United States received a shock from which it was

slow to recover.

Congress next proceeded to issue " bills of a new

tenor," to the amount of about $4,ooo,cxx); but

these quickly depreciated. They were exchanged,

in 1790, for the new public stocks created when

1 Witherspoon, Works, IX. 118,131.

2 Ford, Writings of Jefiferson, IV. 154.

• Works of Franklin, VI. 345.

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tjie national cf ^bt was at length funded.^ The old i/

bills gradualiyr disappeared from circulation, and

specie quickl\* took their place.^ This was the end

of the continf ntal paper currency, of which only a

small part vfj^ funded, in 1790, at one cent on the

dollar.^ Dr W Ramsay was pleased to write that

the money \*\* gently fell asleep in the hands of its

last possessors." Mr. White has very properly

emended this by saying : " A truer figure of speech

would be that it passed out of the world like a vic-

tim of delirium tremens.\*' \* After the close of the

war, the paper-money mania broke out once more

in 1785 and 1786. This movement was most dis-

tinctly an agitation carried on by and for the debtor

classes of the country, and is thoroughly typical of

the struggles of the inflationists of the colonial

period.^ Seven of the states at this time emitted

bills of credit,^ and in all of the others there was

iBolles, I. 138-139, 141; Phillips, II. 170-172J Bullock, 137-

138. /

« Webster, 75; Writings of Jeflferson, IV. 154; Writings of ^

Madison, I. 48 ; Chastellux, II. 30.

•Elliot, Fund. System, 12. Of the bills circulating in 1780,

;|(i 19,400,000 were paid in by the states under the act of March 18,

1780. State Papers, Finance, I. 54, 58-59.

\* Ramsay, II. 181 ; White, 146.

•This paper-money movement of 1785 has been carefully studied

by Libby, 50-69. Cf. Bancroft, VI. 167-176.

•Rhode Island, New York, New Jersey, Pennsylvania, North

Carolina, South Carolina, and Georgia. Bates, 1 18-148; Arnold,

11.520-537; Potter and Rider, 117-132 ; Fernow, 342; Phillips,

I. 34, 84, 85 ; Iredell, Laws, 551 ; Stat of S. C, IV. 712-713 ;

Ramsay, II. 184-185 ; Stevens, II. 374.

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a strong party which favored such i policy.^ In

Massachusetts, the agitation started ty the debtor

classes resulted in Shays\*s Rebellion, a nd order was

not restored without considerable difficulty. Per-

haps the baldest and most shamelejjs declaration

ever issued during an agitation for||)aper money

may be found in the following resolution, which

^as adopted in the Hampshire county convention

In 1 786: 2 "Voted, that this convention recom-

mend to the several towns in this county that

they instruct their representatives to use their

influence in the next general court to have emitted

a bank of paper money, subject to a depreciation^

making it a tender in all payments^ equal to silver

and gold, to be issued in order to call in the com-

monwealth's securities." The words that the

writer has italicized are so startlingly clear as to

render unnecessary all comment upon the villany

of these precious proposals.

But the experience of the country with a depre-

ciating paper currency finally taught a lesson

which proved effective, so far as the federal gov-

1 In New Hampshire there was a long and stormy agitation.

Belknap, III. 460-477 ; Coll. of N. H. Hist. Soc, III. 1 17-122.

For the uprising of the paper-money party in Massachusetts, see

Barry, III. 218-260; Weeden, 843-847. Even in conservative

Connecticut a paper-money party existed. Bronson, 168-169. In

Maryland there was a bitter struggle between the two branches of the

legislature. Scharf, II. 539 ; Pamph. on Const., 33. In Delaware

a similar contest occurred. Libby, 61-62. In Virginia, the oppo-

sition of the great federalist statesmen crushed a determined

movement in favor of paper money. Writings of Madison, I. 218,

332 ; Libby, 66-67. \* Quoted by Libby, 56.

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emment was concerned. In 1787, Madison could

write ^ truthfully, "There has been no momentt

since the peace, at which the federal assent WDuldl

have been given to paper money," for the lead-|

ing statesmen of the United States had become,

almost without exception, stalwart opponents of a

government paper currency .^ In the constitutional |

convention there was an almost unanimous opposi- ^

tion to the proposal to allow either the states or /

the general government to issue bills of credit./

By an overwhelming vote the states were prohiW

ited from ever resorting to such an expedients

Then, by a vote of nine states to two, the conven-

tion decided to strike out of the Constitution the

clause that conferred such a power upon the

national legislature.\* A majority of the delegates

that discussed the subject made it clear that they

intended to take away from Congress the power

to issue legal tender paper, and that they believed

that this purpose had been accomplished.^ The

iEUiot,V. 108.

\* This is well shown by Bancroft, Plea for the Constitution. To

take a single example, Washington, by 1 785, had learned fully the

evils of paper money. Writings of Washington, XI, 51. Cf. Idem,

X. 489. See the denunciation of bills of credit in the Federalist,

295-296. \* Elliot, I. 270-271. \* Idem, I. 226, 245,

\* See the debates in the convention. Elliot, V. 434-435. See

also the opinion of Mercer. Sparks, Morris, III. 321-322. This

much is fully established by Bancroft, in his Plea for the Constitu-

tion. Even Mr. Thayer, in defending the decision of the Supreme

Court, admits that " in the debates of the convention, so far as we

know anything about them, the majority of the speakers thought

that they were prohibiting bills of credit and paper money." Harv,

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Supreme Court, however, in our own time, has

managed to find a constitutional warrant for im-

pressing upon paper a legal tender character.^

But the purpose of the framers of the Constitution

was understood perfectly by the men who opposed

ratification in 1788. The new plan of govern-

ment was violently assailed on the ground that it

forbade either Congress or the states to issue bills

of credit.2 Recent investigations have shown that

this was one of the leading causes of the antago-

nism which the Constitution encountered. A de-

tailed study of the votes taken in each state where

it was proposed, in 1785 or 1786, to issue paper

money, has proved that the inflationists and repu-

diators of that period were the very men who op-

posed ratification two years later.^ Almost with-

Law Rev,, I. 79. This was evidently the opinion of George Tick-

nor Curtis. Curtis, I. 524-527. Criticisms on this part of Mr,

Bancroft's Plea are decidedly weak. E^, James, 64-68.

^In 1870, the Court held that the law of 1862, making green-

backs a legal tender, was unconstitutional. Shortly afterwards,

the personnel of the Court having changed, the law was upheld as

an exercise of the very indefinite " war powers" of the Constitution.

In 1884, a law of 1878, directing the reissue of greenbacks, was

declared constitutional even in times of peace. 8 Wallace, 603 ;

12 Wallace, 457; no U. S. Reports, 421. Perhaps the ablest

defence of the decisions is by Mr. Thayer, Harv, Law Rev., I.

Bancroft's Plea is the best-known attack upon the decisions. This

Plea called out a reply by McMurtrie. Mr. Justice Miller has

defended the decisions. Miller, 135-144. J. Randolph Tucker

has criticised the position of the Court. Tucker, I. 508-516.

2 See Luther Martin's " Letter." Elliot, I. 369-370, 376.

\*This is shown conclusively by Libby. Cf. Hildreth, III. 466-

467, 535, IV. 25, v. 415-416; Bates, Chaps. IV. and V,

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out exception, the sparsely settled districts elected

representatives who voted to emit a depreciating

currency and then refused to adopt the new Con-

stitution. On the other hand, the richer and more

populous localities uniformly opposed the first pol-

icy and favored the second. The exceptions to this

rule are all explained by particular circumstances

of a local character; so that a map showing the

geographical distribution of the vote upon the Con-

stitution serves as a fair index of the population,

wealth, and industry of the various sections of the

thirteen original states. An examination of the

letters that passed between the great leaders of

the movement in favor of union shows that the

antagonism of the paper-money party was both

anticipated and actually encountered. Pickering

wrote that, in New England, opposition would

come " chiefly from the Shaysites and paper-money

men."^ Madison informed Washington that all

men who favored paper money and tender laws

contended against ratification.^ Many similar cita-

tions might be presented if space would permit.^

Among the leaders of the opposition, Symmes

wrote to Osgood concerning the constitutional pro-

hibition of bills of credit: "Here I suppose the

principal weight of opposition will hang." \* Luther

Martin, in his letter to the Maryland legislature,

1 Pickering, II. 358. « Elliot, V. 572.

\*Idem, v. 577; Hist. Mag,, XVI. 271 ; E^ys on Const., 176;

Pamph. on Const., 243.

\* Hist ColL Essex Inst, IV. 214.

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made the most of arguments that were based upon

the same grounds. In the American Museum may

be found a set of satirical resolutions which pur-

ported to come from the enemies of the Constitu-

tion.^ One of these reads as follows : " Resolved,

that as this constitution most arbitrarily and inhu-

manly prohibits the emission of paper money, and

other resources, by which the unfortunate debtor

may throw off the discouraging burden of his obli-

gations, it ought to be considered, as in fact it is,

a system of tyranny and oppression, compelling

citizens in many instances to do things extremely

disagreeable, and contrary to their interest." The

facts warrant the positive assertion that the last

act of the inflationists of the eighteenth century

was to antagonize most bitterly the only feasible

plan for constructing a firm union of the thirteen

feeble, selfish, jealous, and quarrelsome states.

^ Amer, Mus,, III. S4-85. A somewhat similar piece of satire

may be found in McMaster and Stone, 83.

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CHAPTER VI

-^ STATE BANKS OF ISSUE

In 1792,^ Congress established a national coin-

age system by providing for the concurrent circu-

lation of standard gold and silver coins. The silver

dollar was given pure contents of 371 J grains of

fine metal, and the gold eagle was to contain 247J

grains of pure gold.^ This established a coinage

ratio of 15 grains of silver for one grain of gold.

Such a rating was not far from the actual market

values of the two metals at the time when the law

was passed, but ^Iver soon cheapened and drove

gold out of circulation ; so that our first coinage

act resulted practically in silver monometallism.^

^Various plans and proposals for a coinage system bad been for-

mulated during tbe Confederation. Some of these have been

printed. See State Papers, Finance, I. 100-107; ^^P\* Mon. Conf.,

417-453; Watson, 243-268. Cf. Sumner, Financier, II. 36-47.

\* U. S. Stat, I. 248. For this and subsequent laws relating to

money, see Rep't Mon. Com., Appendix; Dunbar. The history of

the 371 J grain silver dollar, recommended by Hamilton and adopted

by Congress, has been correctly traced for the first time by Sumner,

in Amer, Hist Rev.^ III. 607-619. On our coinage laws, see

BoUes; Laughlin; Sumner, Currency; Upton; Watson; White;

and Linderman.

'Soetbeer, 130, gives 15.05 : i as the market ratio for 1791, and

15.68: 1 as the ratio for 1800. From 1800 to 1 810, the average

ratio was 15.61 : i. In 1819, the committee on coinage reported to

the house of representatives that gold, being underrated, "can

scarcely be considered as having formed a material part of our

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Concerning this earliest legislation, Daniel Web-

ster could declare, with entire accuracy, that " the

framers of the Constitution, and those who enacted

the early statutes on this subject, were hard-money

men ; they had felt, and therefore duly appreciated,

the evils of a paper medium ; they therefore sed-

ulously guarded the currency of the United States

from debasement. The legal currency of the

United States was gold and silver coin ; this was

a subject in regard to which Congress had run

into no folly." ^

But if the national government had, for the time,

turned away from the paper-money policy, the

) agitation for cheap currency did not die out in the

various states. An opportunity for such a move-

ment was found in the development of banks of

. \ issue.2 The Bank of North America, established

Y , money circulation for the last twenty-six years." State Papers,

^^> Finance, III. 399. Benton states that gold disappeared "com-

pletely and totally " about twenty years after the adoption of an

erroneous ratio by the law of 1792. Benton, I. 442. Even Ameri-

can silver coins were displaced by light-weight Spanish money, so

that Jefferson ordered the suspension of the coinage of silver dol-

lars after 1806. Watson, 73-74.

^Annals of Cong., 14th Cong., 1st Sess., 109 1. In 1834, Ben-

ton argued strenuously that " the government of the United States

was intended to be a hard-money government" Benton, I. 436.

\*An extended bibliography on banking in the United States

may be found in Sen. Ex. Doc, 38. To the books there mentioned

may be added: Macleod, Diet, 169-195; T. P. Kettell, in Eighty

Years, I. 198-21 1; White; Bryan; and Sumner, Banking. The

book last mentioned is the leading work upon the subject, and is so

comprehensive that the reader may be referred to it for information

on all the subjects discussed in this chapter.

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STATE BANKS OF ISSUE

in 1782, was the first institution in the United

States that undertook to maintain a bank currency

that should be at all times convertible into specie.^

In 1784, banks were founded in Boston and New

York ; and before long a banking mania spread in

all directions. In the Mississippi Valley, a bank

was established in Kentucky as early as 1802 ;

while, in 181 3, Missouri was provided with a simi-

lar institution. In 1791, the first Bank of the

United States was founded, and began to issue

circulating notes that formed a uniform and con-

venient paper currency throughout the country, a

function that was continued by its successor.^

But there were in the country only a few men

who had any adequate comprehension of the true

nature and the proper methods of banking. The

common view seemed to be that a bank was a mys-

terious and magical means of creating wealth out

of nothing; and it was supposed that, since a

banker secures interest on his notes, the banking

business offered a unique and beautiful opportu-

nity to secure interest on one's debts. Banks were

often formed for the sole purpose of issuing their

paper ; and the privilege of emitting such promis-

sory notes, which were intended to circulate as

currency, was claimed as a common law right.^ It

\* Lewis; Sumner, Financier, II. 21-35.

^On the banks of the United States, see Clarke and Hall;

BoUes, II. 127-155, 317-358; Benton; Kinley; Sumner, Jackson;

articles by Root and White, in Sound Currency ^ IV.; /, P, E^

V. 421-457.

»aeaveland,XVII.

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was with reason that Hugh Williamson complained,

in i8 12, that the constitutional prohibition of the

issue of bills of credit by the states might be prac-

tically nullified " by a deluge of bank paper." ^ The

people of the United States had embarked once

more on the enterprise of substituting a cheaper

edium, paper, for gold and silver, which they

regarded as "dead stock," to use Hamilton's

phrase ; ^ and soon the issue of bank notes came

to be regarded as the only method of providing

the country with enough money to meet the needs

of industry.^

In all parts of the country many of the earliest

banks were conducted with extreme recklessness

or utter dishonesty. In New England, the first

crash came in 1809, and this was followed by the

enactment of more stringent laws regulating the

business. In 181 4, 1837, ^.nd 1857, there occurred

general suspensions of specie payments by most

of the banks in the United States ; while periods

of suspension in particular localities were even

more common. Only the New England banks

withstood the first of these crashes, and a still

smaller number maintained the convertibility of

their notes during the crises of 1837 ^^^ 1857.

During some parts of its existence, the second

1 Williamson, II. 40-41.

^ State Papers, Finance, I. 67. See Sumner's comments. Sum-

ner, Banking, 24-25.

• Note the manner in which Gouge combated this view. Gouge,

Part I. 45, 64-67, 1 1 7-1 23. See also quotations in Sumner, Bank-

ing, 25.

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STATE BANKS OF ISSUE

Bank of the United States exercised a restraining

influence upon the issues of the state banks, since

it could refuse to receive in payment of public dues

the currency of any institution that did not main-

tain the convertibility of its notes.^ Indeed, it was

in part a demand for a national bank that should

regulate the disordered paper medium of the coun-

try that induced Congress to grant the charter in

1816. But this wholesome restraint was often

denounced as oppression and intimidation of the

state banks, and it helped to produce in some

localities a lasting hostility against the federal

Bank.

At the present day, the abuses perpetrated by

the state banks during the first half of the century

may appear almost incredible. The capital of

many institutions was only partially paid in, and

stockholders frequently proceeded to borrow all

that they had contributed.^ Loans were made

upon mortgage security, while it seemed impossi-

ble for the disastrous results that commonly fol-

lowed such a policy to teach the obvious lesson

that an institution that attempts to support a large

amount of demand liabilities must invest its funds

only in quick assets.^ Notes were issued in such

iQarke and Hall, 749-750; Gallatin, II. 461, III. 334, 336;

Sumner, Banking, 72, 79, 109, 113, 166, 208.

2 Gouge, 46-47 ; Raguet, 1 15-1 19, 145; Tucker, Money, 194,

365 ; Rep't Compt. Currency, 1876, XXXIII. ; Felch, 80.

'Hamilton, in 1790, had argued forcibly that land is "an unfit

fund for a bank circulation." State Papers, Finance, I. 73. But

in 1839, Condy Raguet expressed the belief that a bank should

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small denominations as one shilling, or even five

cents, in the expectation that it would never be

worth any one's while to collect such infinitesimal

currency and present it for redemption.^ One

notorious bank, which broke down in 1809, was

found to have ^[580,000 of notes in circulation, and

$86.46 in its specie reserve.\* Banks were located

in inaccessible places, " on some bottomless prairie

road," or in the depths of forests, where it would

prove as difficult as possible to find the " offices "

at which the notes were payable.^ When a Boston

bank seijt a batch of currency to New York for

redemption, the collector of the port seized the

bills upon the pretext of preventing a run on the

New York banks.\* A messenger sent to South

invest its capita/ in mortgages, since " the security of real estate \*\*

is safer than that of promissory notes. Raguet, 90. Mr. McCulloch

telb us that the famous and conservative State Bank of Indiana, at

the outset of its career, loaned very largely to men who were buying

or improving lands. But the crisis of 1837 taught the managers

that these loans were \*\* sluggish and unreliable/' so that, after that

time, the loans were " mainly confined to bills of exchange " based

upon produce shipped to Eastern or Southern markets. McCulloch,

Men and Meas., 116.

1 See especially Raguet, 135-140, on the circulation of bank

notes of small denominations.

^ Gouge, 45-50. This was not much worse than many other

occurrences. In 1837, ^ Massachusetts bank failed, with ^111,000

of notes outstanding, and ^36.71 of cash on hand. Root, in Sound

Currency, II. 258.

8 G)oley, 268-269 ; Garnett, in Sound Currency, V. 142 ;

Hadden, 186-187 ; Rep't Compt Currency, 1876, XXXV.-XXXVI.;

BanJi Mag., XIII. 235.

\* Felt, 218.

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Royalston to demand the payment of j^ 10,000 in

notes issued by the local bank, was arrested upon

a frivolous charge in order to avoid such a request.^

JNothing was more common than a state of public

\* opinion which condemned every attempt to obtain

specie from the banks. To ask one of these

institutions to fulfil the promise printed on the

face of its bills was a disgraceful act, which

indicated a lack of public spirit, or was proof

positive of a desire to start a "run."^ In Ohio,

Indiana, and Missouri, between 1855 and 1859,

certain persons who presented notes for redemp-

tion were threatened with lynching or a coat of

tar and feathers.^ Some states established public

institutions that were no better than the loan banks

of colonial days. These were designed to do a

banking business "upon the faith and credit" of

the states^ and to supply the people with paper

money.\* IfThus, in 1820, the Bank of the Common-

wealth of Kentucky was instituted. The legisla-

1 Whitney, Suffolk Bank, 60.

\* In Richmond a man who took legal measures to compel the

payment of notes was subsequently sued for damages by the bank.

Gouge, 84. Persons seeking the redemption of bills issued by the

bank of Darien were obliged to swear, before a justice of the peace,

to the ownership of each and every bill. Idem, 141. Raguet

devotes a chapter to this subject. See also State Papers, Finance,

III. 394-395 ; White, 365.

•Bank Mag., X. 41, XII. 587, XIV. 323.

\* Gouge, 131-133, 138; Conant, 330-337 J Root» i" Sound

Currency, II. 221-252 ; Sumner, Banking, Index, " Banks of the

States.'' In some cases state bonds were issued in order to raise

capital, and repudiation allowed. Scott, 33-48.

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ture appropriated JS7000 in order to purchase

books, paper, and the plates for printing bills ;

then i!2,cxx),ooo of paper was issued, and appor-

tioned among the counties to be loaned out on

mortgage security. This was practically an emis-

sion of state bills of credit, which was prohibited

by the Federal Constitution; but, in 1835, the Su-

preme Court, which had recently been " Jackson-

ized," found a way of arriving at the conclusion

that the act creating the bank was constitutional.^

Judge Story vigorously dissented from this opinion.

The consequence of the spread of this mania for

unsound banking was that from i8(X) to i860, an

inconvertible paper currency continued to vex the

United States. Bank notes were often at a dis-

count of fifty or sixty per cent,^ and the issues be-

came so large as repeatedly to cause inflation.

Then a period of liquidation would ensue, and

prices would fall to extremely low levels.^ In

18 Peters, 118; 11 Peters, 257. This case was first heard in

1834, and three judges out of five held that the notes were in

reality bUb of credit. But, as two judges were absent, the case

was heard again a year later. Meanwhile Chief Justice Marshall

had died, and two other vacancies had occurred ; so that now five

out of the seven judges were appointees of President Jackson.

Story stated in his dissenting opinion, at the final hearing, that

Marshall, at the first hearing, had decided that the notes of the

Bank of Kentucky were bills of credit. 1 1 Peters, 348. Cf. Sum-

ner, Banking, 142-143.

\* Some statistics of depreciation may be found in Gouge, 132-

133, 135, 166-168; Gallatin, III. 363; Sumner, Banking, Index,

" Depreciation.\*\*

\* Gouge discusses intelligently these alternate periods of inflation

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these periods of depression the favorite remedies

suggested were more money or a higher protective

tariff.^ Men who had speculated on a , rising

market, and had been caught "long" when the

reaction commenced, would cry out loudly for

more currency in order that prices might be

sustained until it should be possible to unload

upon other people. Prodigality and dishonesty

always attended every era of inflation; and

when the false prosperity ^ thus created had

collapsed, debtors began to clamor for legislative

relief. In many states arbitrary stays of execu-

tion were granted, and unfair appraisement laws

and liquidation. Gouge, 1 10-126, 174-176. Raguet and Tucker

also describe the process. Raguet, 142-148 ; Tucker, Money,

18^-190. See also Gallatin, III. 365-488. Sumner makes his

chapters follow this sequence of events : inflation, crisis, liquidation.

^In the hard times just prior to 1830, there was laid before the

Senate a proposal for the issue of 1^50,000,000 of government paper.

Snch an addition to the currency, it was claimed, would make

property " rise two thousand millions of dollars " and would restore

prosperity. See Gallatin, III, 255. In the depression of 1840, the

Pennsylvania \*\* relief" system was authorized. This was intended

to relieve the situation through the issue, by the banks, of ^^3,000,000

of notes redeemable in state bonds. See Gallatin, III. 409-412.

The hard tunes succeeding the period of inflation that ended in

1 81 8 had much to do with the agitation for higher duties on

imports. See Clay's speech of 1824 and Webster's reply, in

Taussig, Papers, 254-256, 324-326. Gouge appreciated this fact

very well. Gouge, 125, 153. Cf. Taussig, Tariff Hist., 19-21,

68-69 ; Sumner, Protection, 39, 41.

3 See the picture of the inflation period of 1 81 6, in Gouge, 64-72.

Matthew Carey called this the " golden age " of Philadelphia, and

insisted that the prosperity was not artificial. Gouge, 71-72.

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or replevin acts were passed.^ In the period from

1820 to 1825, Kentucky succeeded in making things

especially lively for the hated "money power."\*

Says Professor Sumner : " Under the replevin law,

the judges instructed the jury to find \* scaling

verdicts/ rating the judgment sum in specie

according to the depreciation at the time of the

contract. This sum could be collected after two

years, unless the creditor indorsed the execution.

If he did that, he obtained payment in three

months in paper worth about fifty cents on the

dollar, — that is, he obtained about one-fourth of

his original claim." This, according to the gov-

ernor of Kentucky, was "the paramount law

of necessity." Before long, the state had two

rival courts of appeals contending for " paramount"

jurisdiction, while the legislature was rent by the

efforts of the debtor party to secure the enact-

ment of still more "paramount" laws. In 1820,

a committee of the Pennsylvania legislature de-

picted the results of the issues of inconvertible

currency in the following words: "In conse-

quence of this most destructive measure the

inclination of a large part of the people, created

by past prosperity, to live by speculation and not

by labor, was greatly increased; a spirit in all

respects akin to gambling prevailed; a fictitious

value was given to all descriptions of property ;

specie was driven from circulation, as if by com-

1 Gouge, 131, 135 ; Sumner, Banking, Index, "Stay laws."

•Sumner, Bankii^, 1 21-137; Shaler, 173-185; Gouge, 131-132.

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mon consent, and all efforts to restore society to

its natural condition were treated with undisguised

contempt."^ Six years later the governor of

Connecticut wrote: "It is amidst explosions of

credit, principally occasioned by the conduct

of Banks, that every class of industrious citizens,

and all our enterprising young men, are exposed

to repeated losses, against which no vigilance can

guard, and no prudence exempt them." ^

The growth of the banking mania was neces-

sarily attended with a renewal of the old com-

plaints and discussions concerning monetary

affairs. In the Mississippi Valley the cry was

heard that trade with the Eastern states drew off

all the specie,^ and this, too, in spite of the fact

that large amounts of silver came into this region

from New Orleans. The use of inconvertible bank

notes would merely accelerate the export of specie ;

but the cheaper medium was often welcomed as a

remedy for the alleged scarcity of hard money.

When, in 1814, the general suspension of specie

payments brought the country down to the basis

of a depreciated paper currency, it was vigorously

denied that the premium upon silver was proof of

the depreciation of the inconvertible bank notes.

In Philadelphia, Franklin had worthy successors

who began to publish pamphlets refuting the

" very fallacious and mischievous doctrines," that

" the ability of a Bank to redeem, i,e, to pay specie,

is the true criterion of excessive issues " ; that " a

1 Gouge, 1 20-1 21. ^Idtm, 161. 'BuUer, 295.

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paper currency is depreciated when it ceases to be

of equal value with gold and silver '\* ; and that " the

rise of specie, and a general increase of prices,

are the certain indications of depreciation." ^ One

Philadelphia pamphleteer declared: "The paper

of the Bank of England preserves a value, as

steady perhaps as any attainable, whilst the pre-

cious metals, like other commodities, fluctuate

around this standard."^ This scientist proposed

the creation of a national bank which should issue

circulating, legal tender notes redeemable in United

States stocks. To perfect this scheme, he desired

that the notes of state banks should be payable in

those issued by the national bank. Matthew Carey

pronounced this a " magnificent \*' idea, and " a sov-

ereign remedy for all the financial difficulties of the

country."^ In 1819, the president and directors

of the Bank of South Carolina submitted to the

state legislature a franker plea for inconvertible

paper money. The South Carolina address raises

the query whether a sufficient metallic medium is

not unobtainable, and whether it would not be bet-

ter to dispense entirely with the use of gold and

silver. Then it proceeds to recommend that the

government should issue all money to the people,

since government alone can adjust the amount of

currency to the needs of trade. Finally it abuses

the Bank of the United States for presenting for

redemption state bank notes received in payment

of the federal revenues.\*

1 Gouge, 70. ^Bollman. 'Gouge, 76. \*/d5p»f, 143.

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The condition of the bank currency, however,

was not equally bad in all sections of the country.

As time wore on and the lessons of sad experience

were learned, better methods of banking were

developed in the older states. The New England

banks, led in this direction after the disaster of

1809. The city banks compelled those located in

the country districts to maintain the convertibility

of their notes, and wise legal restrictions gradually

were perfected.^ By i860, Massachusetts had

developed one of the best banking systems in the

world. In New York, the safety fund and the

bond security systems had been slowly perfected,

and honest management was the rule ; yet, in 1861,

the Bankers' Magazine described some of the coun-

try banks as mushroom concerns.^ Louisiana had

passed a model banking law in 1842, under which

1 Whitney, SufiFolk Bank ; Sound Currency, II. 276-284. The

most important restrictions were, briefly, as follows : (i) Banks

most have a certain amount of paid-up capital, and must not

impair this by loans on pledges of their own stock. (2) Small

notes were prohibited. (3) The note issues should not exceed a

certain amount, as twice the paid-up stock. (4) Noteholders

were given a prior lien on assets of the banks. (5) Banks were

forbidden to reissue the notes of other banks. (6) A certain

minimum reserve was required. (7) Directors were made specially

liable, and a double liability was imposed upon shareholders.

(8) Public statements of accounts were required, and examiners

were appointed to investigate the condition of the banks. (9) Deal-

ing in shares of other banks or in merchandise was forbidden,

and lending on mortgage security was sometimes prohibited. For

an early discussion of methods of legal regulation see Tucker,

Money, 191-232.

^BankMag,,y;N\.l.

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her banks were, in i860, the safest in the country

in many respects.^ In other states individual bank-

ing institutions had become justly celebrated for

the ability and honesty of their administration.

The reader will at once call to mind the State

Banks of Indiana and Ohio, the Bank of the

State of South Carolina, and the banking house

of George Smith and Alexander Mitchell in Wis-

consin.2 But such distinguished exceptions merely

serve to heighten the contrast presented by most

of the banking institutions in the South and West.

In the Upper Mississippi Valley the conditions

remained particularly bad in i860. Attempts had

been made to adopt the provisions of the banking

codes of other states, but the laws thus framed

had been badly administered. North of Louisiana

and Arkansas, there was practically no convertible

bank money in the Mississippi Valley; and the

notes of dead or doubtful banks were hawked

about at from ten to ninety per cent discount.'

In 1859, a bogus Ohio bank had started in busi-

ness by investing $165 in a plate, and paying one

quarter of a cent on a dollar for having its notes

printed. It had then established its credit firmly

by giving $1900 to the publisher of a bank note

1 Sumner, Banking, 387-391, 434-437. Note what McColloch

says of the honorable action of the New Orleans banks in 1 861.

McCulloch, Men and Meas., 138-139.

«See/. P, E,,\V, 1-36 ; McCulloch, Men and Meas., 1 13-138 ;

White, 374-394 ; Sound Currency, V. 1 14-120, 314-328 ; Sumner,

Banking, 439-442 ; Rep\*t Compt. Currency, 1876, XXVI.-XXVIII.

^Bank Mag., XII. 166, XIV. 152, 811-814, XVII. 396, 1002.

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detector, who agreed to " quote the money right." ^

" Quis ctistodiet ipsos custodesf This incident

reminds us that note and counterfeit detectors

were in universal use by all who would avoid loss

from the receipt of bogus bank notes and the

notes of bogus banks.^ From the best data obtain-

able, it has been computed that, in i860, the specie

held by the banks of Illinois amounted to only

4.25 per cent of the circulation and deposits. In

New York and Massachusetts, the specie reseryee^

amounted, respectively, to 20.39 per cent and 21.63

per cent ; while, in Louisiana, the percentage rose

as high as 52.46.^

^BankMag.,XlV. 153.

' White, 397-404 ; Sumner, Banking, 455.

•Bank Mag,, XIV. 2P,

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CHAPTER VII \*^ x"^

A RETURN TO GOVERNMENT PAPER MONEY

In the last chapter it was shown that the

coinage legislation of 1792 resulted in an under-

valuation of gold, and the establishment of silver

monometallism. As early as 18 18, there began a

movement in favor of such a change in the ratio

of the two metals as would bring gold back into

circulation.^ In 1834 and 1837, the coinage laws

of the United States were finally amended so as to

accomplish this result At that time the market

ratio of silver to gold was about 15.8 : i ; but Con-

gress adopted a rating of 16 : i, with the evident

intention of establishing in practice the single gold

standard.\* Unfortunately, the acts passed in 1834

and 1837 reduced the fine contents of the gold

eagle froYn 247.5 grains first to 232 grains and

then to 232.2 grains. Just before this change, the

^See documents reprinted in Rep't Mon. Conf., 502-697.

Gouge, Part I. 109, proposed to strike gold coins on whose face the

pure contents should be stamped. These would not need to be

made a legal tender, and could be used in all large payments.

Benton, chaps. 105 and 108, is an important reference on this sub-

ject. Gallatin advocated a change of the mint ratio to 15.6 : !•

Gallatin, III. 309. See also Raguet, 204-250.

au. S. Stat., IV. 696, v. 136. See Laughlin, 52-91; Soetbccr,

131. In 1840, the market ratio was 15.62 : 1.

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gold dollar had been worth a few cents more than

the silver dollar, which was the actual standard of

value. But this reduction in the weight of the

eagle produced a gold dollar that was about two

cents less valuable than the silver dollar.^ Thus

Congress robbed creditors of two per cent of the

value of existing debts, and established a prece-

dent that was fraught with danger for the future.

It was predicted that this action would enable

gold to replace silver as the actual medium of

exchange ; ^ and this result was gradually brought

about, especially after the great gold discoveries of

1849 caused a marked decline in the value of the

yellow metal. By 1853, the silver dollar was worth

J! 1. 04 in gold, and had become an obsolete coin ; ^

lAt the ratio of 15.73: i, which Soetbeer gives for the year

1834, the gold dollar of 23.2 grains established by the act of that

year would have been worth slightly more than ninety-eight per cent

of the 371 .25 grain silver dollar. In subsequent years the ratio some-

times rose to 15.8 or 15.9 to I, and this change in the value of the

gold dollar made it worth about ninety-nine per cent of the value of

the old silver dollar. Cf. the tables given by Linderman, 161-162.

^The committee that reported in 1834 made such a prophecy.

H. Rep., 278, p. 56. Raguet, 210-212, 247, predicted the same

ultimate result

\* This displacement of silver was a very gradual process prior to

1850. In 1839, Raguet, 208-209, said that little progress had been

made in this direction. McCuUoch says that the specie currency

of the West was composed almost exclusively of silver until the dis-

covery of gold in California. McCulloch, Men and Meas., 119.

In 1850, the ratio of the two metals in Europe was 15.7: i>

about the same as it had been in 1834. But by 1853, it had

changed to 15.33:1. Soetbeer, 131. In this year even our

fractional silver disappeared from circulation, and Congress had

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while the product of the Califomian mines sup-

plied the country with an abundant gold circula-

tion. In 1 86 1, it was estimated that the currency of

the United States consisted of about $2So,cxx),ooo

of specie and $202,ooo,cxx) of bank notes.

Soon after the opening of the Civil War,^ the

government negotiated a loan of $iSo,cxx),cxx) from

the banks in the leading Eastern cities. Congress

wisely gave Secretary Chase permission to keep

this money in solvent banks, and to draw upon

these funds by check as fast as should be neces-

sary. But the Secretary foolishly refused to fol-

low such a course, and withdrew from the banks

a large portion of their reserves, — an action which

was soon followed by a general suspension of

specie payments by the banks throughout the

country.^ At the opening of 1862, the credit of

the United States was not sufficiently high to

enable the government to dispose of its six per

cent bonds at their par value; and the authori-

ties at Washington objected to selling the public

securities for what they would bring in the market.

Under these circumstances, Congress finally de-

to establish a debased subsidiary coinage. U. S. Stat., X. 160.

At this time it was explicitly recognized in the debates in Congress

that the United States had practically but a single standard of value,

and that gold. Cong. Globe, XXVI. 629, Appendix, 192.

^On this period of our finances, see Bolles, III.; von Hock;

Taussig, in Shaler's United States, II. 537-544.

a/. P. E,y VII. 289-326; Sumner, Banking, 45S-461; Rep't

Mon. Com., 402-404; White, 149-152. Even Spaulding, 1^4,

criticises this action of the Secretary.

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cided, against the emphatic protests of many of

its ablest members, to issue $i5o,ooo,(XX) of notes

that were declared to be legal tender in all pay-

ments, except for customs duties and interest on

the national debt.^ Other issues were subsequently

authorized, so that finally i!4So,ocx),cxx) of irredeem-

able paper was placed in circulation. In 1864,

the limit of the permanent issues was placed at

J!400,ooo,cxx) ; and the favorable turn of both mili-

tary and financial operations enabled the govern-

ment to adhere to its promise.\*

As is well known, the greenbacks depreciated,

and the country was again involved in all the evils

of a fluctuating paper medium. The bills were

injected into a currency that already contained

more than $200,(XX),ooo of bank notes that had

ceased to be redeemable in specie,^ while the situa-

tion was made worse by the issue of interest-bear-

ing, legal tender paper.\* Before the end of 1862,

^U. S. Stat., XII. 345. Mr. Spaulding, who claimed to be the

father of the greenbacks, discussed their history in his Legal Ten-

der Paper. He was well criticised by Walker and Adams, in

N, A, R.f April, 1870. On the greenbacks, see Newcomb; Bowen,

347-367; Sumner, Currency, 189-227; Walker, 369-375; Knox,

80-147; White, 148-165, 191-197; Noyes, 1-72; Rep\*t Mon.

Com., 389-490.

«U. S. Stat, XII. 532, 710, 822, XIII. 219.

\* Of the issues of the state banks in 1 86 1, probably 1 150,000,000

was in the North. After the suspension of specie payments these

issues increased to 1 183,000,000 in 1862, and ^238,000,000 the fol-

lowing year. After 1863, the notes of the national banks began to

replace these issues. Rep. Sec. Treas., 1897, CXXXI.-CXXXVIIL

^In 1861 and 1862, Congress authorized the issue of j((6o,ooo^ooo

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gold was selling for $1.34 in currency; and, during

the year 1864, the greenbacks showed an avetage

depreciation of more than fifty per cent.^ The

government did not avoid the necessity of selling

its bonds for what they would command in the

open market, and was obliged to create a nominal

debt of $2,565,000,000, for which it received not

more than $1,695,000,000 in gold. When all ele-

ments are taken into consideration, it seems certain

that, before the close of the war, the " paper-money

plan of finance '\* had cost the United States an un-

of demand notes not bearing interest, but receivable for public

dues and finally made a legal tender. U. S. Stat, XII. 259, 313,

338. These were exchanged for greenbacks. For their history,

see Breckenridge, in Sound Currency, V.; Tenth Census, VII.

372. In 1863, interest-bearing notes, running for not more than

three years and a legal tender for debts, were issued to the amount

of 1211,000,000. U. S. Stat, XII. 710; Tenth Census, VII. 377-

378. In 1863 and 1864, "compound interest notes" were issued

to the amount of 1^266,594,000. These were a legal tender, and

^177,045,000 of the issue replaced the notes mentioned above.

U. S. Stat., XII. 710, XIII. 218; Tenth Census, VII. 378. These

notes entered into circulation to a greater or less extent, and

were periodically hoarded as the time for interest payments ap-

proached.

^ From the suspension of specie pa3rments by the banks to the

time of the issue of greenbacks, the premium on gold was only two

or three per cent. By July, the average value of |ioo of green-

backs had fallen to $&6,6o, and the following January it was only

^68.90. During the year 1863, the average gold value of the

greenbacks was 1^68.90, the value of the paper remaining nearly

stationary. Then in 1864, it sank to an average value of ^9.20.

The highest price ever paid in currency for one dollar in gold was

1(2.85. Tables of depreciation may be found in Knox, 97; Muhle-

man, 29 ; Rep. Mon. Com., 562.

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necessary expense of more than $500,000,000.^ In

other respects the experiment with the greenbacks

proved equally costly. Wages did not rise imme-

diately in proportion to the increase of prices,\* so

that the laboring classes suffered a considerable

loss in their real incomes.^ Business was given

an unhealthy, speculative impulse, which necessi-

tated a severe period of liquidation in 1873. A

dishonest medium of exchange was productive of

the most notorious extravagance and corruption,

which gave to the decade following the close of

the war a character that was perhaps more un-

savory than that of any epoch since the adoption

of the Constitution. James Fisk and Jay Gould, the

CrMit Mobilier scandals and the Belmont impeach-

ment trial, were the natural products of this period

of reckless inflation.

In 1866, Secretary McCuUoch was authorized to

retire a certain amount of the greenbacks each

month ; but this necessary and wholesome policy

of contraction was opposed by all who had invested

while prices were still rising, and desired an oppor-

tunity to unload their investments upon other peo-

ple. Accordingly, when the greenbacks had been

reduced to $356,000,000, Congress prohibited the

further retirement of the notes.^ Meanwhile, the

1 Adams, 131 ; Rep. Mon. Com., 445-461 ; /. P, E.^ V. 1 17-156.

\* Rep. Mon. Com., 470-479.

•U. S. Stat, XIV. 32, XV. 34. On contraction, see McCulloch,

Men and Meas., 210-213 ; Noyes, 7-16. According to the law of

1862, the greenbacks had been convertible into six per cent bonds,

but this provision was repealed in 1863. U. S. Stat., XII. 711,

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proposal was made to redeem with the paper

money a portion of the bonded debt of the United

States. When the 5-20 bonds were authorized in

1862, the pledge was made that interest should be

paid in coin, but nothing had been said concerning

the principal. This oversight was corrected in the

issues of bonds authorized in 1863 ;^ but the claim

was made that the obligations created under the

act of 1862 were lawfully redeemable in green-

backs, since the government had promised to pay

only the interest in specie. The Democratic plat-

form of 1868 advocated the payment of the princi-

pal of the 5-20 bonds in depreciated paper,^ but this

plank was practically repudiated by the candidate of

that party. The defeat of the Democrats was f ol-

^ U. S. Stat., XII. 345-346. The law of 1862 did not specify in

what money the bonds should be repaid, since no greenbacks had

been issued at the time when it was enacted, and there seemed to be

no occasion for a specific declaration. Another section of the law

provided for the issue of greenbacks and specified that they should

not be a legal tender for the interest on the debt. The bonds

issued in 1863 were specifically made payable in coin. U. S. Stat.,

XH. 710.

^Ann. Cyc, 1868, p. 747. President Johnson recommended

that the interest on the bonds should be applied to the payment of

the principal until that should be extinguished. Many Republicans

believed that the 5-20 bonds of 1862 should be paid in greenbacks ;

even John Sherman advocated such action in 1868. Cong. Globe,

40th Cong., 2d Sess., V., Appendix, 181. Cf. speech of Thaddeus

Stevens. IcUm^ 41 7^. In 1868, the Republican convention of

Indiana wanted to have these bonds " honestly " paid in greenbacks,

except where coin was specified ; and desired to have this done in

such a manner as to make the money in circulation equal to the

wants of the country, but without " too great an inflation of the

currtncy!^ Ann. Cyc, 1868, 378.

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lowed by a resolution of Congress pledging the

country to redeem all its bonded debt in coin, and

promising to adopt the same policy with respect

to the greenbacks.^ But many people still insisted

that " the bondholders should be paid in the same

currency that had been given to the soldiers/' as

if two wrongs could make a right ; while, in some

quarters, threats were heard that the debt would

be repudiated if Congress refused to redeem it with

depreciated paper.^

All the conditions that prevailed in 1868 contrib-

uted to the growth of a strong sentiment in favor

of the retention of the greenbacks as a permanent

feature of our monetary system. The creation of

the national banking system during the war had

resulted in a prohibitory tax of ten per cent upon

the notes of state banks.^ Since the continuation

of " wildcat \*\* bank issues was no longer possible,

it was evident that the withdrawal of the green-

backs, and the restoration of the gold standard,

would leave the country, for the first time in its

history, without any form of cheap currency. It

was not strange, therefore, that in many sections

there should be manifested a violent opposition to

parting with the only form of irredeemable paper

that remained available. Besides this, as has been

noted, many persons had made extensive invest-

ments during the period of inflated prices, and

lU.S. Stat, XVI. I.

^See Democratic platform in Ohio in 1869. Howard, 91.

•U.S. Stat., XIII. 484.

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would naturally oppose the restoration of the cur-

rency to a specie basis. These were the causes

that led to the passage of the act of 1868 prohibit-

ing the further retirement of the greenbacks.

As a matter of course, some people began to

deny that there had been any real inflation of the

currency on account of the issue of the greenbacks.

In December, 1862, when the premium on gold

ranged sometimes as high as thirty-four per cent,

Secretary Chase, in his Annual Report, expressed

a doubt whether this was due to an excessive issue

of paper. In the following January, it was often

contended in Congress, that the paper currency

had not depreciated; that King Gold had been

" degraded to a commodity of traffic, like com and

wine and pork,\*' so that its value was subject to

\*\* all the fluctuations of supply and demand " ; and

that the greenback commanded the same quantity

of commodities that it formerly did, so that the

premium on gold did not indicate a depreciation of

the paper.^ A year later, a writer in the NortA

American Review contended that it was " the duty

and the prerogative of a government to supply a

^ currency to the people," and that the greenbacks

were " the best currency that ever a nation had,"

" such a currency as was never dreamed of in the

philosophy of the framers of the Constitution."^

iCong. Globe, 37th Cong., 3d Sess., 383, 386, 391, 409.

^N, A, JP., XCIX. 210, 227. Hon. W. D. KeUey stated in

1876 that this article was by his ''late townsman and friend/'

Sydney George Fisher. Cong. Globe, 44th Cong., 1st Sess., 11 73.

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GOVERNMENT PAPER MONEY

Then Henry C. Carey expressed the belief that it

was the wicked free-traders who attributed the

high price of gold to the greenbacks, which had

in reality " fallen on the country as the dew falls.\*\*

He considered paper money "democratic in its

tendencies '\* and wanted i!200,ocx),cxx) more of it,

for he denied that any " plethora of money \*'

existed. The changes in prices that had occurred

since 1862 were such as must have taken place

" had the idea of a legal tender note had no exist-

ence.\*\* He desired the retention of "a national

system of circulation based entirely on the credit

of the government with the people and not liable

to interference from abroad.\*\* ^ Some years later,

the echoing voice of Henry Carey Baird was raised ^

in favor of a national paper currency interchange-

able with government bonds. Mr. Benjamin Butler

desired an " American system of finance,\*\* based

upon a dollar, "of some convenient and cheap

material,\*' which should have " a certain fixed and

stable value,\*\* and should no more be redeemable

than a yardstick or a quart measure. This "Amer-

ican " currency, which should be the counter-

part of the " American System '\* of protection, was

to be issued only by the government, and should

be convertible into interest-bearing bonds. Mr.

Butler despised gold and silver, which were " the

money alike of the barbarian and the despot.\*\*'

1 Carey, Currency, 25, 29 ; Carey, McCulloch, i, 13, 19, 46.

\* Baird, 1 1.

\* Butler's Book, 953-954. This contains speeches in Congress.

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In 187s, Congressman Kelley, of Pennsylvania,

declared the "Bullion Report" to be an anti-

quated production of David Rieardo, a "bond

and bullion monger." For his own part, Mr.

Kelley was ready to " go for what old Ben Frank-

lin says," and to follow the guidance of Horace

Greeley, who had demonstrated the beauty of the

"interconvertible bond system."^ Finally, Peter

Cooper persistently urged the necessity of adopt-

ing a " strictly national currency," " always inter-

convertible with Government bonds at a low rate

of interest," "which cannot be taken from the

hands of the people by the ever-shifting balances

of commodities between nations." ^ Such utterances

are fairly typical of the inflationist arguments

that were current in the years following the war ;

and it may be interesting to note that the quota-

tions from Mr. Cooper end with the argument,

advanced by Cotton Mather nearly two centuries

earlier, that paper money is " an abiding Cash."

In 1870, the Supreme Court finally succeeded

in reversing its earlier decision and declaring the

issue of legal tender notes to be constitutional. In

the opinion delivered by Justice Strong, the act

of 1834, which reduced the value of the dollar by

two per cent, served to give point to one of the

arguments advanced in behalf of the greenback,

which had given the country a paper currency of

^ Quoted by Leavitt, 193. Cf. Kelley's argument for an " inex-

portable currency." Kelley, 392-396.

2 Cooper, 10.

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fifty per cent less value than the medium used m

1861. The opinion was also expressed that it is

incorrect to speak of a " standard of value," since

" value is an ideal thing." ^ Then, in the panic of

1873, the Secretary of the Treasury, without express

authority of law, reissued a considerable quantity

of greenbacks that had been retired and were sup-

posed to be retained in the Treasury.^ This was

followed, in 1874, by the passage of the \*' Inflation

Bill," which provided for the issue of $14,000,000

of the paper; but this measure was vetoed by

President Grant.\* With all this encouragement,

the greenback rapidly became an important politi-

cal issue.

In 1872, the National Labor Reform Party de-

manded an irredeemable paper currency, issued by

the government " directly to the people." In the

following year, William Allen, a noted "Green-

backer," was elected governor of Ohio upon a

platform which apprehended danger to the debt-

or's interests from the resumption of specie pay-

ments, but did not demand a permanent paper

currency. In 1874, the Democracy in this state

called for a "sound currency," but wanted "an

increase of the circulating medium," which should

be secured by substituting government paper for

the notes issued by national banks. The next

year the platform denounced " the forced resump-

1 12 Wallace, 548, 553.

\* Muhleman, 28 ; Rep. Mon. Com., 425.

• Rep. Mon. Com., 424-425 ; Noyet, i^ao.

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tion of specie payments," and demanded that the

" volume of currency be made and kept equal to

the wants of trade " ; and, after a close and excit-

ing contest, Rutherford B. Hayes, the Republican

candidate, was elected governor by a majority of

only 50(X) votes.^ This development of a move-

ment in Ohio for a permanent paper currency is

typical of what occurred jn several other states.

As a result, a National Greenback Party was organ-

ized for the presidential contest of 1876; and Peter

Cooper was nominated for the presidency upon a

platform that demanded national paper money, con-

vertible into interest-bearing bonds.^ In the fall

elections, 81,737 votes were cast for Cooper ; and it

is interesting to notice that 66,000 of these came

from the states of the upper Mississippi Valley,

and 7187 from Pennsylvania. This, however, was

but the beginning of the movement ; and the votes

cast in 1876 for the National Party by no means

represented tbe strength of the " greenback idea."

Two years/later, in the Congressional elections,

the agitation for an irredeemable paper currency

reached its climax.\* In several states a fusion was

effected between the National and the Democratic

parties, while in a great many others the Demo-

cratic platforms contained a more or less qualified

1 For these various platforms, see Ann. Cyc, 1872, 773 ; 1873,

610-61 1 ; 1874, 667 ; 1875, 607.

\* On the history of this party, see Andrews, Hist., I. 274-275,

286, 290-291 ; Leavitt ; Ann. Cyc, 1876-1884.

« See Atl. Month., XLII. 521-530 ; Nat, XXL 208-209, XXVIL

64, 221-222.

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indorsement of the proposals of the inflationists.^

It is impossible to determine with any accuracy

the real strength of the movement in this year, on

account of the complication of issues that arose

when the Democratic organizations in many states

became infected with Greenback principles.^ An-

drews has placed the aggregate Greenback vote of

1878 at i,0(X),365, while a Greenback writer states

it at i,4CX>,ooo.^ In 1880, however, the issues were

once more clearly drawn, and the National Green-

back party polled 307,740 votes.\* Of these,

195,066 came from the upper Mississippi Valley;

60,019 came from the South; 35,778 came from

New York, Pennsylvania, New Jersey, and Dela-

ware ; 1 1,803 came from New England ; and about

5000 came from the Pacific coast. This is prob-

ably the fairest test obtainable of the geographical

distribution of the inflationist votes, although the

elections of 1878 furnish a better test of the aggre-

gate strength when the movement reached its

height The results of our computations are suffi-

cient to demonstrate that the real stronghold of

this Greenback movement was found in the newer

and more thinly populated regions of the West and

iAnn.Cyc, 1878.

\*To assume that the total Democratic vote in those states where

the platform inclined in any degree toward a paper currency repre-

sents accurately the strength of the inflationists, would be wholly

unjustifiable. Thus, in Massachusetts, the large vote cast for

Butler was the result of his peculiar personal following.

•Andrews, Hist, I. 291 ; Leavitt, 224 ; Ann. Cyc, 1878, 808.

\* Ann. Cyc, 1880, 702.

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South, which, prior to i860, had been supplied with

a bank currency that was often nothing more than

a form of irredeemable paper money. More will

be said in the following chapter of the causes that

produced this sectional distribution of the vote of

the National Greenback Party.

After suffering disaster in the elections of 1874,'

the Republican Party passed the " Specie-Resump-

tion Act " early in the following year before the

control of Congress passed out of its hands.^

Under this measure, skilful management of the

Treasury Department and a favorable revival in

trade enabled the government to resume specie

payments in 1879. .Congress seems to have

exhausted its powers of unwisdom in efforts to

obstruct the administration ; but it finally became

evident that the policy of resumption was certain

to prove successful. Then the inflationists became

alarmed at the prospect, and enacted the law of

May 31, 1878.2 This act prohibited the further

cancellation of the greenbacks, which had been

reduced to $346,68 i,ocx), and provided that, when

redemption in specie should begin, the notes

should not be withdrawn, but must be paid out

again and kept in circulation. Thus the paper

currency has remained with us, a permanent bur-

den upon the Treasury and a constant menace to

the business interests of the country.

lU. S. Stat., XVIII. 296 ; Tenth Census, VII. 389 ; Muhleman,

28-29 ; Noycs, 19-47 ; Rep. Mon. Com., 426-433.

2 U. S. Stat., XX. 87 ; Muhleman, 28.

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After 1880, interest in the agitation for a liar

tional paper currency died out for a time, only to

be revived by the People's Party a decade later, in

a movement that was most clearly conducted by

the agricultural classes of the South and West,

although a union was formed with the labor ele-

ment in the cities of the East.^ In 1892, Mr.

Weaver was nominated for the presidency upon a

platform that called for a national currency, " safe,

sound, and flexible," to be issued by the govern-

ment, and to have a volume of $50 per capita.

This money was to be issued in payment for

public improvements, and was also to be loaned

to citizens at two per cent interest.^ The exact

vote cast by the People's Party in 1892 and 1894

is not easily determined, but a careful estimate

places it at 879,469 votes in the former year and

1,434,253 in the latter.\* Of these ballots, Mary-

land and the states north and east of her cast but

33,881 in 1892 and 53,717 in 1894.

iMcVey; g- /• ^.» X. 270-285.

« Ann. Cyc, 1892, 753-755-

• But see Ann. Cyc, 1892, 755, where Weaver's vote is placed

at 1,122,045.

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CHAPTER VIII

GOLD AND SILVER

The agitation for the free coinage of the silver

dollar forms the last chapter of the history of

cheap money in the United States. In 1870, with

a view to the resumption of specie payments, Con-

gress began to consider the question of revising the

coinage laws of the country. The silver dollar was

then worth more than one dollar and two cents in

gold,^ and had been out of circulation for more

than a generation. After deliberating upon the

subject during five consecutive sessions, and secur-

ing expert advice, Congress passed the "Act of

1873.'' 2 This law, in accordance with a plan

formulated three years before, dropped the obso-

lete silver dollar from the list of authorized coins.^

Its deliberate intention, as stated repeatedly in

Congress,\* was to establish legally the single gold

standard, upon which the currency of the country

iStat. Abst, 1898, 56.

2 U. S. Stat., XVII. 424 ; Laughlin, 98 ; Rep't Compt Cur-

rency, 1876, 170.

'See report on the act, in Sen. Misc. Docs., 132 ; statement in

Knox, 150 ; Rep't Dir. Mint, 1896, 461-573.

\*Cong. Globe, 42d Cong., 2d Sess., 2305, 2306, 2308, 2310,

2316. Cf. speech by Senator Stewart, Cong. Globe, 43d Cong.,

1st Sess., 1392, 1678.

no

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had actually been based prior to the issue of the

greenbacks in 1862. The measure aroused no

opposition at the time because the inflationists felt

no interest in a silver dollar that was worth more

than gold, and were then concerned for the main-

tenance of a depreciated paper medium. But, in

187s, the "Resumption Act" was passed, while

the value of silver fell, so that the silver dollar

became cheaper than the gold. In 1876, when

the time for the resumption of specie payments

was approaching and the silver dollar was worth

only ninety cents, it was discovered that a crime

had been committed in 1873.^ From that time

to the present, the "remonetization\*' of silver has

offered the best practicable method of securing a

cheap medium of exchange.

In 1876, "Pig-iron Kelley," "Silver Dick Bland,"

and a number of other statesmen introduced in

Congress bills that provided for the free coinage

of the old silver dollar, and gave that coin un-

limited legal tender power .^ The following year,

a free silver bill passed the House of Representa-

tives, with the support of such modern "sound

money men" as John G. Carlisle And William

McKinley.^ This measure was altered in the

Senate so that it required the government to pur-

chase a limited quantity of silver bullion each

1 See Cong. Rec, VII. 205, 584, 1263, 1265, 1271. For a plaus-

ible statement of this charge, see Coin, 15-20. For milder criticism

of the action of Congress, see Walker, Bimetallism, 184, 185.

« Cong. Rec, IV. 4704, 5186. « Ideniy VI. 241.

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month, and coin it into silver dollars ; and, in 1878,

the amended act was finally passed over the cour-

ageous veto of President Iftyes, who appreciated

the folly of temporizing with the policy of the

inflationists.^

The causes of the strong movement which

secured the enactment of the " Bland-Allison Act,"

have been carefully analyzed by Professor Laugh-

lin, in his " Bimetallism in the United States." ^

The inevitable reaction from the speculative activ-

ity and high prices of the era of paper-money

inflation had resulted in a process of liquidation

that involved the panic of 1873. The consequent

period of depression was attended by most un-

pleasant consequences for all persons who had

borrowed money on a rising market ; and distress

caused in this manner was especially prevalent in

the West, where land speculation had been most

active, and a large amount of mortgage indebted-

ness had been incurred. In the years following

1873, all the conditions were ripe for an inflationist

movement, since debtors were clamorous for relief

and there was an abundance of demagogues and

invertebrate statesmen ready to lead such an agi-

tation. This movement, moreover, was certain to

assume a sectional character, because much East-

ern capital had sought investment in the West,

and the debtor party was most numerous in the

1 U. S. Stat., XX. 25. On the history of this law, see Taussig,

Silv. Sit., 8-49; Laughlin, 179-214; Noyes, 73-126.

2 Laughlin, 186 et seq.

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newer and poorer states. For this reason, the

vote in the House of Representatives upon

the original free coinage bill "was non-partisan

and almost wholly sectional." "From districts

west or south of Pennsylvania, only six votes were

cast against the bill, two of these votes being cast

by Democrats; from Pennsylvania and the dis-

tricts east or north of it, the bill received only nine

supporting votes, and three of thg^nine votes were

Republican."^ ^ ' i\

An examination of the det)aTfes in Congress\*

discloses the fact that the arguments of the free

silver men were generally pleas for currency ex-

pansion as a means of relief to oppressed debtors ;\*

and threats were made that, if the measure failed

to pass, the " Resumption Act " would be repealed,

national banks would be destroyed, and the United

States would begin to " issue all the money tg be

in circulation in the country." Mr. Bland was

ready, in certain dire contingencies, to issue " paper

money enough to stuff down the bondholders until

they are sick," a sentiment that met with the

applause of the House of Representatives. The

"Crime of 1873" played its part in the discus-

sions; members declared that no discrimination

should be made against a great American product

such as silver; one speaker invoked "the roai^of

maddened labor " sounding " like a trumpet-blast of

1 Noycf, 40. Cf. Harper's Weekly^ Nov. 24, 1877.

\* Blaine, II. 605-608, summarizes the debate in the Senate.

\* Cong. Rec, VII. 601, 602, 957, 958, 1244, 1264, 1265, 1279.

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prophecy " ; and gold was denounced as "the money

of monarchs," the "idol of the miser and the

thief," the " most cowardly and treacherous of all

metals." ^

Under the operation of this law, 378,160,000

silver dollars were coined at our mints ; ^ but the

"friends of silver "were not satisfied. In 1890,

therefore, the " Sherman Act " was pushed through

Congress, as the price for which Western support

was secured for the tariff act of that year.^ This

was most distinctly an inflationist measure, de-

signed to increase the government's purchases of

silver to 4,500,000 ounces per month;\* and the

arguments advanced in its favor were the same

1 For these references, in order, sec Cong. Rec, VII. 602, 1278;

1251; 584, 890, 1263, 1265, 1271; 926, 1251, 1271; 589; 1052.

^ Muhleman, 21.

• U. S. Stat., XXVI. 289. Senator Sherman's statement that

the bill was passed to prevent the adoption of a free coinage law is

clearly erroneous. Sherman, II. 1061 ^/ sg^, Cf. Amer, Hist, Rev.^

I. 556. , Mr. McKinley distinctly stated in the House of Represen-

tatives that the " Sherman Act '^ was the most favorable measure

for the silver cause that was obtainable, for, " we know we cannot

have free coinage now." Cong. Rec, XXI. 5812, 5813. There

seems to be evidence that President Harrison would have vetoed a

free coinage bill, and no such measure could have been passed over

his veto. Senator Teller gave what is probably the inside history

of the "Sherman Act," in his speech of April 29, 1896; and his

statement that Western members extorted silver legislation as the

price of their votes in favor of the tariff of 1890 passed unchallenged.

Cong. Rec, XXVIII. 4561, 4562.

\* On the working of this act, see Taussig, Silv. Sit., 50-83; Noyes,

139-206; Muhleman, 31-33; White, 204-212; Rep. Mon. Com.,

138-145.

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that had done service in 1878. Thus Representa-

tive McKinley, in closing the debate upon the law

of 1890, argued,^ that it was necessary "that the

country should have an increase of its circulating

medium " ; that " the silver product of the United

States " should be used for this purpose ; that this

would be "just to the silver producers of this

country"; and that such action would create a

demand for silver that would "so increase the

value of that product" as to restore it to a parity

with gold at the ratio of 16 to i. The closing

words of his speech were as follows : " For one,

Mr. Speaker, I will not vote against this bill and

thus deprive my people, my country, and the

laborers, and the producers, and the industries of

my country, of thirty millions annually of addi-

tional circulating medium." But this concession

to the inflationist sentiment served merely to add

fuel to the fires of the silver agitation. After

three years of disastrous experience under its

operation, the "Sherman Act " had to be repealed ;

and this action brought the free silver sentiment

of the country to a climax, and precipitated the

campaign of 1896.

It is unnecessary to review the events that at-

tended the last presidential election, since they

must be familiar to all the readers of this essay ;

but it will be desirable to study the geographical

distribution of the silver and the gold parties. It

will be remembered that, in 1877, the free silver

1 Cong. Rcc, XXI. 5812, 5813.

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movement swept ever)rthing before it in all but six

of the Congressional districts west and south of

Pennsylvania ; while the " Bland Act " received

only nine votes in the Keystone State and in all

districts north and east of it By 1896, however,

the upper Mississippi Valley had undergone a

complete change in sentiment, and cast its votes

in favor of the maintenance of the existing gold

standard. The area controlled by the silver party

was pushed southward as far as Virginia, Tennes-

see, and Missouri ; and westward as far as Kansas,

Nebraska, and South Dakota. Even within these

boundary lines, the states of North Dakota, Cali-

fornia, and Oregon were lost to the cause of silver.

This survey of the recent inflationist movement

may be completed by a detailed examination of the

votes cast in 1896.^ In making the analysis of the

results of that election, the following method has

been employed. The strength of the National

Democratic Party has been added to the votes

cast for the Republican candidate, and these fig-

ures have been taken as the correct measure of the

sentiment in favor of maintaining the existing con-

ditions. Then the votes of the Democratic, the

National Prohibition, and the Socialist Labor par-

ties have been combined, in order to determine the

true strength of the forces that favored inflation ;

because the platforms of these parties advocated

either the free coinage of silver or a paper cur-

^The statistics of the vote cast in 1S96 may be found in the

World Almanac.

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rency issued directly by the government The

Prohibition Party has been omitted from the com-

putation, for the reason that its platform ignored

the question upon which the election turned. After

this, the writer determined the percentage which

the anti-inflation vote bears to the total vote of the

five parties selected for consideration. In present-

ing the results, it will be convenient to divide the

states into three groups according to their average

density of population in the last census year.^

The first group includes the eleven states of the

greatest average density of population, and it will

be seen that all of these were carried by the gold

party, usually by an emphatic majority : —

States

Average Density ^^^ ^^^^

OF GOLD VOTE

Rhode Island . . . . 318.44 .

. . . . 71.9

Massachusetts

. 278.48 .

. . . 72.9

New Jersey .

. 193.82 . ,

. . . 62.3

Connecticut

. 154.03 .

... 66.4

New York.

. 126.06 .

. . . 59.5

Pennsylvania

. 116.88 . ,

. . . 62.9

Maryland . .

. 105.72 .

. . . 56.9

Ohio . .

. 90.10 . .

• • • 52.3

Delaware .

. . 85.97 .

. . . 56.8

Illinois . .

. 68.33 . .

, . . 56.8

Indiana . .

. 61.05 . ,

• • • 513

The second group includes eighteen states of a

medium density of population, and these show a

1 These statistics may be found in Eleventh Census, Population,

I., p. XXXV. Another table containing the results of some slight

corrections may be found in Willcox, 395. In this computation

Willcox's 6gares have been used.

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fairly even division of sentiment, eight casting

a majority vote in favor of the gold standard, and

ten showing a majority in favor of silver or paper :

States

Average Density

Per Cent

OF GOLD VOTE

Kentucky . . . .

. 46.47 50-5

Tennessee . . . ,

. 42.34 • •

. 47.5

New Hampshire .

. . 41.81 .

. 73-5

Virginia . . . .

. 41.27 . .

. 47.0

Missouri . . . ,

. 38.98 . .

. 45.7

South Carolina . .

. 38.16 ,

. 14.6

Michigan . . . .

. 36.46 . .

. 55.6

Vermont . . , .

, 36.39 .

. 83.1

Iowa

. 34.47 . .

. 56.6

North Carolina . .

. 33.30 .

. 47.1

Georgia ....

. 3I.IS . ,

. 39.9

Wisconsin . . .

. 31.10 .

. 61.9

West Virginia . .

. . 30.95 •

. 53.0

Alabama . . .

. . 29.36 .

• 31.9

Mississippi . .

. . 27.83 .

. . 8.8

Louisiana . . .

. . 24.63 .

. . 23.6

Maine ....

. . 22.11 .

. . 70.3

Arkansas . . .

. , 21.27 .

. . 25.2

The third group comprises sixteen states with

the least density of population, and it will be

noticed that only four of these cast a majority

vote in favor of the gold standard: —

States

Average Density

Per Cent

OF Gold Vote

Kansas . . .

. . . 17.48 . .

. . 48.2

Minnesota . ,

. . . 16.54 . .

. . 58.3

Nebraska , .

. . . 13.83 . ,

. . 47.3

Texas . .

. . . 8.52 . .

• . 31.7

California .

. . . . 7.78 . .

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. . . 52.1

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States

Average Density

Per Cent

OF GOLD VOTE

Florida 7.22 26.7

Washington

• 5-34

. 44.0

South Dakota

. 4.54

49.8

Colorado .

3-99 «

13.9

Oregon . .

. 3.36

51.6

North Dakota

2.72

56.0

Utah. . .

. 2.56 ,

17.3

Idaho . .

1.05

21.4

Montana . .

.98 ,

19.7

Wyoming .

.64

48.5

Nevada . .

. .43

18.7

It is evident, therefore, that the inflationist move-

ment at the present day, as in all previous times,

finds its strength in the sparsely settled regions

where the scarcity of capital is most keenly

experienced.

Since this essay is dealing only with certain

underlying and fundamental facts in the monetary

history of the United States, it is unnecessary to

enter into a discussion of all the forces that have

contributed to produce the agitation for the free

coinage of silver.^ It suffices for the present pur-

pose to demonstrate that the silver movement is

primarily a continuation of the old struggle which

the debtor classes in the sparsely populated dis-

tricts have waged persistently in behalf of a cheap

form of currency. In this respect, the similarity

between the silver agitation and the greenback

movement is perfect, whether one considers many

^On this subject see Walker, Bimetallism, 217-219; /. P. E,, I.

163-178; e./.£.,X. 269-295.

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of the arguments advanced or the sections in

which popular support has been found. But it

should be added, in order to avoid misapprehen-

sion, that other causes contributed to produce the

persistent strength of the sentiment in favor of

the free coinage of silver. The continued fall

of prices for more than twenty years caused

undoubted injustice to many debtors, and fur-

nished telling facts in support of inflationist argu-

ments. Many fair-minded men found it hard to

choose between the evils of a single silver stand-

ard and the hardships of the existing situation. A

second cause may be found in the political influ-

ence of the owners of silver mines, who have taken

an active part in spreading the propaganda of the

silver party, and have furnished a large part of the

needful sinews of war. Then, since 1889, seven

sparsely settled states have been admitted to the

Union, and have added fourteen votes to the

strength of the free silver element in the Senate.

In 1896, these states cast twenty of their elec-

toral votes for Mr. Bryan, and only three for Mr.

McKinley.

If this essay has portrayed and interpreted cor-

rectly the monetary history of the United States,

one important conclusion may be drawn concern-

ing the probable future of the agitation for a cheap

form of currency. If the scarcity of capital in

sparsely settled areas has been hitherto the pri-

mary cause for the persistent demand for barter

currencies, paper money, and a depreciating metal-

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GOLD AND SILVER

lie medium of exchange, such a movement must

gradually subside with the growth of numbers,

wealth, and diversified industries in the regions

that now form the seat of the silver party. Only

a few generations have passed since this agitation

was effectually quieted in the Northern Atlantic

states. Within the last twenty years, the valley

of the upper Mississippi has been won from its

adherence to the old propaganda. The area that

will henceforth feel the lack of ready capital, and

desire some cheap form of money, cannot be

greatly increased by the admission of new states.

Each passing decade will tend to remove the causes

that now contribute to the strength of the silver

movement in the extreme South and West. An

improvement of banking facilities in these regions

would contribute materially to the accomplishment

of this result. In periods of great industrial de-

pression, especially in times of distress and discon-

tent among the agricultural classes, the familiar

nostrums will still be proposed, and the demand

for "more money" may be renewed for a long

time to come. But, in the absence of some great

industrial cataclysm, there will be a continual nar-

rowing of the field within which the agitation for a

cheap currency can hope to secure any large meas-

ure of popular support.

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Part II

THE PAPER CURRENCY OF NORTH

CAROLINA

CHAPTER I

EARLY ISSUES (1712-1748)

The early settlers in North Carolina, like those

in other colonies, were driven by their poverty to

resort to the use of a barter currency. In 1709,

Rev. William Gordon wrote: "In this as in all

other parts of the province, there is no money;

every one buys and pays with their commodities,

of which corn, pork, pitch, and tar are the chief."

The prices of these articles were fixed by law, but

at figures that a person could seldom secure for

them " after considerable expense and risk." The

result was that three shillings of this barter money

were reckoned as no better than one shilling ster-

ling.^ The lords proprietors naturally enough

objected to receiving such a medium in payment

of quit rents, and instructed the receiver general

to demand sterling money upon all occasions. In

1 71 3, the receiver represented to the council of

the province that he could not comply strictly with

this requirement, and was advised to accept " any

Good and Merchantable Commoditys of this country

at ye rated price." ^ The council further expressed

the opinion that rice well-dressed and cleaned, when

1 This letter is reprinted in Hawks, II, 309.

aCoL Recs. N. C, II. 34-35.

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accepted at the rate of i/j. 6d, per cwt. "is ye

true value of Sterl. money."

An enactment of 171 5 made seventeen leading

commodities a tender for debts. ^ These staple

articles were not receivable, however, unless in

good condition; and special contracts were ex-

cepted from the operation of the law.^ A few

years later three other commodities were added to

the list, and the ratings of wheat and corn were

raised ; while it was provided that five of the most

bulky articles must be delivered at some conven-

ient landing upon a navigable stream.^ Governor

Burrington claimed that when this last enactment

was made, rice was valued at a rate that led to a

depreciation of the commodity standard.\* In 1731,

he said, concerning the practical working of the

act of 171 5, that, however accurate the original

rating of the goods may have been, it soon became

incorrect and unequal ; so that, for instance, while

deer skins had remained at about the value fixed

by the law, pitch and tar had fallen to one-quarter

of the legal valuation.^ The result was that " Peo-

ple generally take advantage to pay in the worst

Commodity which often occasions unfairness in

Trade and Dealings." Burrington expressed the

belief that the law was especially liable " to perplex

^Records, III. 185, IV. 292, 920-921; Basset, 60. On the in-

complete and fragmentary nature of the early records of the colony,

see Records, I., pp. III.-V.

« Idem^ IV, 292. Cf. Williamson, 1. 163; Hawks, II. 163-164.

» Records, IV. 293. \* Idem, III. 615.

6/d5fw, III. 185. Cf.p. 615.

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strangers tradeing," and to encourage frauds in

such cases.

In 1750, Governor Johnston stated that payment

of the provincial taxes in produce had continued

" with very little Alteration " of these earlier laws,

and that this had resulted in " great Damage to the

Revenue," since it was " a stated rule, that of so

many Commodities the worst sort only were paid." ^

The people of the colony, however, clung persist-

ently to the practice, despite the governor's com-

plaints.^ Even the quit rents had to be collected

in this barter currency,^ since the only alternative

would probably have been a complete non-payment

of these unpopular dues, which were always in

arrears at the best.

North Carolina for various reasons long re-

mained an extremely poor colony, and was slower

in developing an extensive commerce than many

of her neighbors.\* For this reason specie would

^ Records, IV. 920-921. Cf. the opinion of Governor Burring-

ton, III. 185.

^ Johnston called it " an odious sham method of supporting the

Charges of Government." Records, IV. 923.

'Johnston wrote in 1740 that the colonists insisted ''on pa3nng

their Rents in the worst and most bulky kind of their produce," and

they insisted on paying these " hopeful! Commodities " either at

their houses or at forty-two different landings. Yet he thought it

was impossible to abolish the practice entirely. Records, IV. 415.

In 1738, the Board of Trade inquired into the matter particularly,

and found that the practice had been forced upon the collectors.

Records, IV. 294.

\* See Basset, 14, 15. Hawks, II. 252-289, gives an account of

the trade of the province.

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have been scarce even without the influence of the

barter and paper currencies that were introduced.

Yet coins and plate are sometimes mentioned in

the early laws. In 171 5, an act was passed " ascer-

taining the currency of Dollars," and Governor

Burrington states that this was intended " to bring

Dollars into the Country " ; ^ but, he adds, " it

never had the eflfect/' This enactment probably

rated " the Lion dollar " at three bushels of Indian

corn.^ Since a law of the same year rated corn

at IS. id. per bushel,^ this was equivalent to a rating

of 5^. for the lion dollar, which was worth but 3^.

7»7d. sterling.\* This was a little more than the one-

third advance over sterling allowed by the royal

proclamation of 1704 and the act of 1707. Hawks

states that another provincial law of this period

provides for the distribution of silver plate forming

part of estates belonging to orphans.\* In 1724,

Governor Burrington was instructed to enforce the

statute of 1707 relating to the valuation of foreign

coins;® but in 1729, after the paper currency had

fallen to one-fifth of the value of sterling, silver

1 Records, III. 18.

\* I assume that this is the law mentioned by Hawks, II. 164.

Mr. Hawks evidently examined the manuscript copies of the laws

of 1715.

« Records, IV. 292.

\* Sir Isaac Newton assayed the lion dollar of Holland at 14 dwts.

2.7 g. Bne contents, and valued it at 43.7^. sterling. See Postle-

thwayt, L 523; Chalmers, 67\*

\* Hawks, II. 174.

\* This statement is made on the authority of Martin, I. 295.

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was rated at 25^. per ounce,^ which was nearly

five times the sterling rating of 5^. 2d, per ounce.

At the same time gold was rated at ;;^i per dwt.,

which would give a ratio of 16:1 between the

white and the yellow metals.

North Carolina resorted to paper money for the

first time in 171 2 in order to "defray the Charges

of an Indian War then kindled." ^ Taxes had

been levied for this purpose, but ;^4000 of bills

were issued in order to anticipate the work of col-

lection.^ The notes bore interest, and were to be

redeemed at stated times out of the receipts from

the taxes.\* They seem also to have been made

a legal tender for all payments in which the rated

commodities were receivable.\* But the Indians

remained troublesome, and the war continued ; so

that an issue of £^000 was made in 171 3,® prob-

ably upon the same terms as that of the previous

year.^ From a report made in 1740® we learn

1 Hawks, II. 286.

2 Records, I. 838, III. 145, IV. 576.

» Idem, III. 484. \* Ideniy III. 145, 484.

\* The Records state merely that this first issue was made <' Cur-

rent in all payments." III. 145. But the issue of 1713 was made

" passable for all debts for rated commodities of the country." II.

50. This was probably the case with the first issue.

\* Records, II. 50, IV. 576. The historians have erroneously

stated that this was the first emission. Williamson, I. 205; Martin,

I. 264; Hawks, II. 280. On these early issues see also Records,

II. pp. IV.-V.

7 Records, II. 50; Martin, II. 264-265; Williamson, I. 205.

\* Records, IV. 576. Williamson says that these bills depre-

ciated. History, I. 205.

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that this emission "depreciated the value of the

whole" about forty per cent, a fact that is not

surprising since the population of the colony at

this time was less than io,ocx)^ and the total

amount of paper in circulation was ;£ 12,000, equal

to $40,060.^

In 1715,^ a new issue of ;;^24,ooo was ordered.\*

One-half of this sum was to be used for retiring

the ;£ 1 2,000 then in circulation, and the remain-

der was applied to the payment of public debts.

Holders of the old bills were required to bring

them in for exchange before March 25, 1716, after

which date the notes should "be of no value."

Two years' interest was to be paid on the old bills

thus exchanged. The new issue was made legal

tender " for any of the rated Commodities of the

\* In 1 71 7, Colonel Pollock estimated the number of" tithables"

at 2000, which would give 9000 or 10,000 as the total population,

black and white. Records, II., p. V. All estimates of this charac-

ter are mere approximations to the truth, but are the best that are

possible.

2 I assume that the proclamation rates prevailed in North Caro-

lina at this time. This accords with the rating of the lion dollar at

5J. in 1 715. At proclamation rates the colonial pound was $3.33.

\* There may be some uncertainty as to the date of this enact-

ment. The report of 1740 places it at 1714, and says the bills were

continued by an act of 1 71 5. Records, IV. 576. The editor of the

Records makes the date 1 7 14. See II., p. V. On the other hand.

Governor Burrington in 1733 gives 171 5 as the date. Records, III.

485. Hawks, who examined the manuscript records, gives the same

date. History, II. 280. The text of the act itself seems to point to

the year 1715. See Records, III. 178-179.

\* This act is preserved. Records, III. 1 77-1 79. Extracts arc

given by Hawks. History, II. 280-281.

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EARLY ISSUES (1712-1748)

Country or other Money allowing fifty per cent

between the same and sterling." Probably the

intention of the law was to make the paper equal to

the barter currency of the colony, which was below

sterling and was called "Proclamation money," ^

since ;;^I50 colonial was reckoned by the men who

framed this law as equal to ;^ 100 sterling.^ This

may be taken as the base from which to compute

the depreciation of the paper. To this tender law

was added a forcing clause which provided that

any one who refused the paper at fifty per cent

advance over sterling, should forfeit one-half the

value of the sum refused; while a later section

enacted that any member of the assembly who

should thereafter make any motion judged to be

"derogatory and prejudicial to the Publick Credit

of the said Bills," should be denounced as an

enemy to the country and fined twenty pounds.

Martin justly observes that a proposal to issue

more bills was not considered to be a remark of

this character.^ Finally, the law of 171 5 enacted

that any person convicted of counterfeiting the

1 See Records, III. 615, where Governor Burrington refers to

the rated commodities as '\* Proclamation money.''

\* The standard of value in North Carolina was the barter shilling

or pound, before paper was issued. We have seen that in New Eng-

land the barter money was worth only two-thirds as much as specie.

Bronson, 21. Then ;f 150 colonial would equal ;^ 100 sterling. This

may well have been the rate of exchange for the best commodities

in North Carolina. Commonly the barter currency was at a greater

discount. Hawks, II. 309.

• History, I. 293.

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bills should be punished "as guilty of Felony

without the benefit of Clergie." The new bills

bore no interest, and no time was set for their

redemption.^ The legislature, however, in the

same year levied a tax on polls and land, which

was intended to bring in ;£20CX) annually " till the

Publick Debts are answered and paid." At the

same time a pledge was made that the tax should

not be lowered or repealed, and that no more bills

should be emitted, until all of the outstanding

paper should be retired.^

These earliest acts for issuing paper money

illustrate perfectly the usual course of legislation

upon the subject. The first emission was small,

and it bore interest and was redeemable at stated

periods. It was justified, furthermore, as an emer-

gency measure. But the needs of the government

did not decrease, and the legislature made a new

emission twice as large as the first. This caused a

depreciation of forty per cent. The next steps were

to cure the inflation by issuing twice as much

money as was already in circulation, to make the

new bills redeemable at no definite time, and to

pay no interest upon the notes emitted. Then,

under the pretext of supporting the credit of the

bills, a forcing law was passed to fcompel creditors

to receive the paper, which was already depre-

ciated. Finally, a tax was levied which would,

if collected, make it possible to retire the notes in

1 Cf. Records, III. 485.

2 Idem, III. 189, 485. Cf. Martin, I. 275.

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EARLY ISSUES (1712-1748)

ten years ; and the legislature pledged the public

faith to issue no more paper, and to keep the tax

in operation as long as it might be needed. We

shall see how these promises were kept, and what

such a pledge of the public faith was worth.

But doubling the amount of the currency did

not improve its condition, for in 171 7 Colonel

Eden reported it to be "at a vast discount,"^

while four years later it was reported at 1 50 per

cent advance over sterling.^ Accordingly, as a

further support to the credit of the paper, the

assembly petitioned the proprietors of the province

to receive the bills in payment of the rent for

lands ; but this request was refused, although the

proprietors expressed a willingness to receive the

rated commodities of the country instead of specie,^

for these articles could be transported to England.

Colonel Pollock thought that the bills would be-

come " very current in a short time " if they could

be used in these payments.\* For a time the tax

levied in 171 5 seems to have been collected, and

some of the paper seems to have been retired, in

\* Records, II. 270. The report of 1740 says that the bills issued

in 1 715 depreciated eight per cent " from the value of their first

emission.\*\* Idem^ IV. 576. This can hardly be correct in the face

of the other evidence.

^Idem, II. 417. This meant that £100 sterling was equal to

;^250 colonial.

•//«w, 11. 243-244, 250; Williamson, I. 205-206. It is possible

that some payments may have been made in paper after all.

See Remarks of Burrington, III. 145.

\* Records, II. 296.

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accordance^ with the pledge made at that time.

But, as Governor Burrington wrote,^ " that Faith

was afterwards broke in upon." The tax had

called for 1 5^. per poll and zr. 6d, for every hun-

dred acres of land.^ In 1722, the legislature com-

mitted " the first public breach of the Funds laid

for sinking the bills," and reduced this tax to 5^.

per poll.\*

By this time it was estimated that about ;^ 12,000

of the bills of 171 5 were yet outstanding;\* while,

if the annual tax of ;;^2000 had been faithfully col-

lected and applied to the proper purpose, the notes

in circulation could not have exceeded ;£ 10,000.

A new emission of ;;^i 2,000 was now (1722) voted

in order to exchange the old bills, which were said

to be torn and defaced.® These new notes were to

be a legal tender at fifty per cent advance on sterling

in all contracts where payment in specie was not

expressly required, and holders of the old money

were given a few months in which to effect an ex-

change of old for new bills.^ Counterfeiting was

1 Records, III. 485, IV. 576. In 1717 Pollock said that the

bills then outstanding amounted to no more then ;f 16,000. Idem,

II. 296. But this seems to be too small a figure, because the tax

levied in 1 71 5 to sink the ;^24,ooo then issued amounted to only

£71000 annually, if collected.

^Jdem, III. 145.

^Jdem, III. 189.

^ Idenii III. 190, 485. Hawks describes this law. History, II.

282.

fi Records, II. 485, IV. 576; Hawks, II. 282.

•Records, III. 190, 485, IV. 576.

T These facts are taken from Hawks, II. 282. Cf. Martin, 1. 293.

EARLY ISSUES (1712-1748)

again made a capital offence. The consequence

of this legislation was that from 1722 to 1729 the

bills of credit circulated \*\* at the proportion of five

for one sterling," ^ a result which probably was not

regretted by the men who made the paper legal

tender at a rating of 1.5 to i. It appears, more-

over, that no more bills were cancelled after 1722 ; ^

but that the assembly, when bills were drawn in

through payments of the poll tax of five shillings,

"usually ordered them to be pay'd — out again,'\*

for contingent expenses.^ Thus the public faith

was continually broken, in a manner not uncom-

mon in the colonies.

For the reasons just stated there were in circu-

lation, in the year 1729, fully\* ;£ 12,000 of bills

issued prior to 1716 and reemitted in 1722. The

assembly had succeeded in preventing a contrac-

tion of the redundant currency, although Governor

Burrington is said to have received instructions in

1724 to have the paper redeemed and cancelled.\*

Not content with this, the inflationists took advan-

tage of the prospective transfer of the province

from the proprietors to the Crown to secure a

1 Records, IV. 576.

^Identy III. 190.

»/flr^»i, III. 485-486.

\*In 1729, the assembly estimated that ;£'2000 of the currency

had been lost, and that only £io,ocx) was in circulation. Iiftm,

III. 190, IV. 576. But the ;f2000 finally proved to be in the

hands of citizens. /</<fw, IV. 101-102. ^"^^^^

^This is Martin's statement. History, I. 295. I have been

unable to find Burrington's instructions of an earlier date than 1730.

See Records, III. 66.

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large addition to the bills of credit. The last pro-

prietary governor, foreseeing that he would soon

have to leave his position, is said^ to have been

induced, " by a shameful collusion " with the legis-

lature, to consent to an issue of £^0^000? Of

this sum, ;£io,cxx5 was to be exchanged for the

old bills emitted in 1722 and still in circulation, all

of which must be brought in within a certain time.

The remainder, amounting to £10^000^ was to be

loaned to the inhabitants upon the security of mort-

gages on unincumbered lands of double the value

of each loan. The bills were apportioned among

the precincts according to the number of tithables

in each, and placed in the hands of the precinct

treasurers. One-fifteenth of the principal of each

loan was to be repaid annually, with interest at a

little more than six per cent. Twenty shillings of

the new currency were to be rated at 15 dwts. of

silver. This was four times the rating of silver in

Virginia,® which the legislature took for a basis,

and is an admission of a depreciation of four to

one proclamation money, or more than five to one

sterling.\* Existing obligations were to be settled

1 This is "Williamson's statement. History, II. 38.

2 Records, III. 145, 175, IV. 178, 419, 576. Cf. Martin, I. 301;

Williamson, II. 37-39. Hawks gives a long account of this law,

but gives 1727 as the date. History, II. 282-287.

•An act of 1727 in Virginia had rated silver at 4^. per dwt.

Hening, Stat., IV. 218.

\* Since silver was worth 55. 2d. per oz. according to the sterling

standard, this would make exchange about £$^1 North Carolina

currency to £iQO sterling. Cf. Records, IV. 419.

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EARLY ISSUES (17 12-1748)

according to the usage at the time when they were

incurred, but future contracts were to be in terms

of these bills. If the new currency should depre-

ciate, the legislature was annually to ascertain and

declare the value of twenty shillings of bills in

terms of silver. The notes were declared a legal

tender at the specified ratings, and fourteen of the

rated commodities were given new values in terms

of this new currency, while silver was rated at 2is.

per ounce.^

Thus was established a loan bank system such

as had been introduced in several other colonies,

and it was computed that the interest and princi-

pal would amount to ;£4S,ooo at the end of fifteen

years. This would redeem all the bills emitted in

1729, and leave a surplus of ;£socx) available for

the current expenses of the government, which

thus expected to derive direct pecuniary benefit

from the scheme.^ Since the population of North

Carolina must have been, in 1729, considerably

less than 36,000,^ and the trade of the province

was not large, a further depreciation of the paper

ensued. By 1 73 1, exchange was \* at £700 or ;£8oo

provincial currency for ;£ioo sterling, and the gov-

1 These figures are given by Hawks, II. 286. The rating of

2$s, per ounce for silver is inconsistent with the rating of 20s. of

the bills at 15 dwts. of silver.

\* See Records, IV. 178-179; Hawks, II. 285. For a copy of

one of these bills see Hawks, II. 280.

\*In 1732, the population was estimated at 30,cxx> whites and

6000 blacks. Records, II., p. XVII.

^ Idem, 111. 146.

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ernor could call the paper \*\* worse than any of the

commoditys." ^ The royal officials in the colony

suffered from this advance in exchange on Lon-

don, since their salaries had been fixed before the

bills had been emitted.^ When the assembly voted

a salary of ;^ioo in paper for the chief justice of

the province, the governor asked for an increase,

stating that ;£8oo in currency would be worth but

;£ioo sterling. The assembly replied that ex-

change was, in their opinion, only ;£ 500 for ;£ioo,

and that the salary would suffice.® Williamson

has spoken very forcibly concerning this enact-

ment of 1729. He says:\* "Although every man

in the colony saw that too much paper was in cir-

culation, for it passed below the nominal value,

excuses were formed, once and again, for making

more." " Of all the varieties of fraud that have

been practised by men, who call themselves hon-

est, and wish to preserve a decent appearance,

none has been more frequent, in legislative bodies,

than the attempt to pass money for more than its

proper value. There are men who conceive, that

^crimes lose their stain, when the offenders are

umerous ; that in the character of legislators,

hey cannot be rogues, ' defendit numerus,' There

J re men, who would be ashamed to acquire five

1 Records, III. 185.

^Idgm, III, 271, 309.

• Idem, III. 283. Burrington wrote the Lords of Trade that he

had offered to take silver at 8 for i, but only one man had been

willing to pay the governor's fees at that rate. Idem^ III. 208.

\* History, II. 38, 39, 40.

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shillings by stealing, picking a pocket, or robbing

on the highway ; but they would freely, and with-

out blushing, assist in poocinnr ^^Jf,'"^ to defraud

their creditor out of half Tiis just demand. There

are instances of men being banished from Carolina

for stealing a hog, not worth five dollars ; while 7^^

the men who banished them, would contend for / vt^^^V

paying a debt of seven pounds with the value of ^

twenty shillings."

Since the act of 1729 was passed just after the

surrender of the province to the Crown, and had

been approved by the proprietary governor, the

assembly managed to get the new bills into circu-

lation at once ; and thus secured the best of the

argument when the validity of the law was called

in question by the royal governor. ^ In 1730, Bur-

rington, who had come out as governor, received

instructions to approve no more bills for issuing

paper money unless they contained a clause sus-

pending their operation until the royal assent had

been secured ; and his successor was given similar

directions. ^ As happened elsewhere, frauds were

committed in the valuation of lands, and bills were

loaned upon inadequate security.® Then, too,

when the precinct treasurers in 1734 were ordered

to render accounts and produce the money paid in

for interest and annual instalments of the prin-

cipal, they turned in only one-tenth of the amount

1 Records, III. 146, 175, 486, IV. 179.

a/dfe»i,III.9S,498.

^Jdem, III. 145.

MONETARY HISTORY

actually due.^ Of the ;£i2,cxx) of old notes issued

prior to 1729, ;£9555 were exchanged for new

bills by 1 73 1, and were subsequently bumt.^ The

;£2CXX5 of old bills that were assumed to be lost in

1 729 turned up in the hands of the receiver of the

powder duties six years later, and were exchanged

for new currency.^

When the assembly of North Carolina met in

January, 1735, the governor called its attention to

the bad state of the currency, caused by the coun-

terfeiters who seemed to be industriously at work.\*

The assembly readily agreed to remedy this evil at

once,^ and proceeded to prepare an act for ex-

changing the old bills for new. If the annual

instalments of one-fifteenth of the y^30,cxx5 loaned

in 1729 had been punctually paid with interest, at

least ;£ 1 6,000 of the ;£40,ooo emitted would have

been returned by the end of 1734. Such pay-

ments, however, had not been made in many cases;

and the receivers had turned in only one-tenth of

the money then due.^ But under the law as it

stood, the annual instalments of the principal

were due, and should be retired from circulation.

Accordingly the assembly seized upon the gov-

1 Records, IV. 179.

2/<i;f»j, III. 324, 546, 583.

^Ideniy IV. 101-102.

^Idem, IV. 78. The severe penalties of the early laws had

been continued by the act of 1729. Hawks, II. 286. In 1726, an

indictment was found against a counterfeiter. Records, II. 669.

\*/^/w,IV. 82.

^ Idem, IV. 179.

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emor's proposal to remedy the evils of counter-

feiting, as an excuse for preventing the withdrawal

of any of the bills then in circulation. The pretext

for this action was that large arrears of quit rents

were due, and could not be paid without the cur-

rency.^ An act was passed,^ therefore, providing

that all the money due and to fall due on the prin-

cipal of the loan of 1729 should be let out again at

six per cent interest for the space of ten years, at

which time the original fifteen years would expire

and the entire sum loaned would become due.

This law provided, also, that, in order to remedy

counterfeiting, all the notes outstanding should

be brought in and exchanged for new bills. The

notes of this issue were not made a legal tender

at any fixed rate,® and it was probably intended

to have valuations of the currency fixed from time

to time. Governor Johnston wrote to the Board

of Trade\* that this enactment "was intended purely

for the benefit of the Inhabitants of the Province

that they might be certain of at least a Currency

of ;;^40,ooo for Ten years to come." By means of

it the assembly made impossible the gradual retire-

ment of the paper, and so shaped matters that

at the end of ten years the whole sum of ;£40,ooo

would be legally subject to retirement. Since

1 Records, IV. 179, 576-577.

^ Idtm^ IV. 179-180, 419. In a report made in 1740 the date

18 erroneously given as 1734. Idem, IV. 576-577. Martin makes

the same error. History, II. 18.

» Records, IV. 419. Cf. p. XXII.

\* Idem, IV. 179.

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there was absolutely no prospect that any subse-

quent legislature would consent to the immediate

retirement of the entire currency, it seems probable

that the law of 1735 was intended to make certain

the permanence of the paper money.

But while the assembly was at work on this sub-

ject, it did not stop with providing for the continued

circulation of the amount of currency already out-

standing. The commissioners appointed to stamp

the bills were authorized ^ to manufacture ;^25oo

more " to defray the Charges " of the operation.

Then ways and means had to be devised for pay-

ing various debts amounting to ;£i4,i50. Since

the governor considered it "absolutely necessary

these debts should be paid off as soon as possible,"

he consented to an emission of ;£io,ocx) in bills of

credit, which were to be sunk by a poll tax which

should continue in operation for five years.^ Thus

the currency of the province was increased to

;£S2,SCX); whereas, if the law of 1729 had been

enforced in good faith, the issues outstanding

would have been reduced to less than ;^24,ocx) by

1735- By this time the population of the province

was about 50,000, whites and blacks;^ and the

1 Records, IV. 179-180.

^Idem, IV. 108, 179-180, 419. The report of 1740 says that

jf 1250 were emitted. IV. 577. This is clearly a clerical error,

and ;f 12,500 is meant. This is the sum of the two emissions men-

tioned in this paragraph.

•In 1735, the whites alone were estimated at 40,000. Idem^

II., p. XVII. Mr. Saunders estimates the total population at 50,000

in 1734. Idem^ IV., p. XX.

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EARLY ISSUES (i 712-1748)

circulating medium, therefore, amounted to about

j!3.SO per capita} This was a large sum for such

a poor colony, but not a larger relative amount

than was outstanding in 1729. Exchange on Lon-

don was at six hundred per cent advance over

sterling in 1736,2 which would make ;£700 colonial

equal \,o £,\QO sterling.

Meanwhile the governor and assembly had

become involved in a dispute concerning the pay-

ment of the quit rents.^ Governor Johnston in-

sisted that, if rated commodities were tendered in

these payments, they should be delivered at four

convenient places ; whereas the people insisted that

the articles could be tendered on the land where the

rents accrued, and thus endeavored to throw the

heavy costs of transportation on to the government.

But, more than this, Johnston announced\* that

he would receive payment in sterling money or

in bills of credit at ratings fixed by his council.

The assembly protested vigorously, but without

effect; and then tried unsuccessfully to pass a

law providing that the value of the bills of credit

should be determined yearly by the governor and

delegates from each branch of the legislature.^

The governor then endeavored to secure the

^ This is computed upon the basis of proclamation rating, which

gives ^53.33 to the pound.

2 Records, IV. 225. This is the estimate of the provincial coun-

cil, and may be less than the actual rate of depreciation.

•This dispute was an old one. See Records, III. 541, 548-549.

\*0n this subject see Records, IV., pp. XIV- XVIII.

»/flr^»f, IV. 175-185.

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passage of orders in council authorizing him to

settle the rates at which paper money or rated

commodities should be received.^ The dispute

continued until 1739, when an act was passed

providing that the governor, council, and delegates

from the assembly should "regulate the value'\*

of the bills annually .^ In March, 1739, the de-

preciation was fixed, in accordance with this law,

at ;£iooo colonial currency for ;£ioo sterling.®

Since the delegates of the assembly participated

in this action, it is probable that a depreciation of

ten to one was too patent to be denied.\*

There is a statement to the effect that in 1738 the

members of the legislature applied to the payment

of their own salaries interest money received from

the bills emitted in 173 5, although these funds had

1 Records, IV. 205. In 1 737, the assembly ordered that collectors

of the quit rents should be arrested for compelling people to pay in

the manner desired by the governor. Idem^ IV. 272. Cf. William-

son, II. 41-43. The governor dissolved the assembly.

\* Records, IV. 416, 419.

^Idemy IV. 416, 419, 577. Governor Johnston said that the bills

had previously been accepted at seven for one, and that the valuation

of 1739 would increase the revenue. Idem, IV. 416. This law of

1739 was disallowed by the Crown, and the entire controversy

was reopened in 1741. This continued for eight years before

another quit rent act could be passed. Id^mt IV., pp. XVII-

XVIII.

\* Williamson, II. 38-39, gives some statistics of depreciation.

He states the depreciation at 3 J for i in 1730 and 7i for i in

1739. The reader must notice, however, that this relates to the

exchange between paper and proclamation, or barter, currency.

This was only two-thirds the value of sterling; and with this allow-

ance, Williamson's figures are nearly like those given here.

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EARLY ISSUES (1712-1748)

been pledged for sinking the bills.^ However this

may be, it is certain that a violation of all good

faith was committed in 1739. In February of that

year the commissioners appointed for exchanging

the bills of 1729 for those issued in 1735 reported

that, out of the ;£40,ooo of old notes, ;^3 7,849 had

'been replaced by bills of the last emission.^ This

left a balance of new bills which the legislature

ordered to be issued "in order to discharge the

Publick debts of this Province."® It turned out

that these " Publick debts '\* were the wages of the

legislators themselves; and the lower house, in

asking the concurrence of the upper chamber in

this action, admitted \* that the balance in question

"ought to be applyd (by Acts of Assembly) to

other purposes," so that the proposal might "be

deemed a violation of the Publick faith." The

council without delay passed this resolution, which

is actually termed in the minutes of the assembly

" a message " "in relation to the payment of the

wages of the Members of Assembly out of other

funds than are or ought to be appropriated for

said use." ^ Thus it appears that a legislature of

manufacturers of paper money could not only vio-

late the public faith for personal ends, but could

do this openly and deliberately with a brazen

effrontery that would make a highwayman blush.

In 1739, Dr. William Douglass wrote, concern-

ing the currency of the colony, the following

1 Records, III. 185. « Identy IV. 367, Vio-yji, 398-399\*

^Idem, IV. 399. \* Idem, IV. 409. 6 Idem, IV. 413.

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words : ^ " North Carolina, an inconsiderable

Colony scarce capable of any Fund for Paper

Emissions; have notwithstanding 40,000/. upon

Loan, and 12,500/. upon Funds of Taxes, At

present Exchange is settled by their legislature at

10 North Carolina for I Sterling^ It will be seen

that this statement is correct, except that the

amount " upon Loan " was £,10,qqo?

In 1740, Great Britain having become involved in

war with Spain,^ North Carolina was called upon

to take part in an expedition against Florida.\*

The assembly promptly resolved "that a certain

Quantity of New Bills will be the most speedy

way to defray the Expenses of transporting the

Troops to be raised in this colony," but the gov-

ernor refused assent,\*^ since his instructions forbade

him to approve of a law for issuing bills of credit

unless it contained " a suspending Clause " provid-

ing that it should not go into effect until "his

Majesty's pleasure should be known." Accord-

ingly a tax was levied^ and made payable in rated

commodities or in bills of credit at the ratio of

;£7.S in paper for ;£i in proclamation money.^

^Douglass, Discourse, 316-317.

^This error was natural since the entire amount emitted in 1729

and reemitted in 1735 was ;f 40,000, of which jf 30,000 was loaned.

Cf. Records, IV. 178-179.

» Winsor, V. 381-385; Hildreth, II. 376-377.

\* Records, IV. 552, 553. « Idem^ IV. 557.

6 Idem, IV. 558, 574.

^ The Records contain only one allusion to this provision, and

that mentions a rate of 7 for I. But the bill was amended several

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It was estimated that this levy would bring in a

sum equivalent to ;£i2CX) sterling.^ The colony

was now to receive a striking demonstration of the

disadvantages of its barter and paper currencies.

When an efifort was made to secure transportation

for the four hundred men raised in North Carolina,

" no owners of Vessels cared to take their Paper

Currency and Commodities in Payment.'\*^ The

governor then found that bills of exchange on

London could not be negotiated in the province,

so that he was obliged to draw upon the commis-

sioners of the royal navy in order to raise passage

money for the troops.®

In 1740, Governor Johnston had written that the

;£52,5CX)\* then outstanding was equivalent to no

more than ;£scxx) sterling, that it would be retired

in 1745 in accordance with the existing law, and

that he hoped " after that we shall never more be

times after that. Martin and Williamson state that the rate was 7.5

for I, and I have accepted this statement. Martin, H\* 34; William-

son, II. 55-56. Proclamation money was, of course, the pound or

shilling of North Carolina's barter currency. Since this was worth

only two-thirds as much as sterling, a rating of £7\*$ paper for £i

barter, or proclamation, currency was the same as ;f 11.25 paper for

£1 sterling.

1 Records, IV. 421.

^ This statement omits the balance of something more than

£2000 which the assembly had paid out for its own wages in 1739

instead of using for the redemption of old bills. The balance was

stated by the commissioners as ;f 3300 ; but this cannot be correct,

as they had redeemed £yji^19 o^t of jf 40,000 of the former issues.

Idem, IV. 398-399\*

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plagued with any Paper money." ^ But the legis-

lature was of a different mind. In 1744, when

under the existing law the whole batch of paper

had but one more year to remain in circulation, the

governor called the matter to the attention of the

assembly .2 The lower house proposed to "sink

the Bills of Currency " by replacing them with a

new issue.^ The contemplated emission was to

be for ;£i6,ocx), "equal in value to Proclamation

money.'\*\* Since the ;£52,500 of bills then in

circulation were worth no more than ;£5000 ster-

ling, or £7000 to £7500 proclamation money, it is

evident that the legislature hoped to inflate the

currency still more by the expedient of manufac-

turing bills of a new tenor. But the upper house

objected to one clause of the measure that provided

for the payment of the wages of the members of

the legislature out of the new bills.^ It was also

thought that the new emission was to be made

current for too long a period, and that the taxes

laid for redeeming it were not sufficient. The

council proposed to limit to five years the time that

the notes should run, and to make the tax two shil-

lings per poU.^ Thereupon the lower house sent

up to the council a message, probably of remon-

strance, with an alteration in the style of address

1 Records, IV. 416. • /dim, IV. 714, 717.

\* Idgm, IV. 720. \* Idem, IV. 717, 726.

\* The bill provided " for the payment of the wages of the Coun-

cil and Assembly out of the funds on each Branch of the Bill.'\*

fdemf IV. 717. « Idem, IV. 727.

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which the upper chamber deemed an \*\* affront and

indignity."^ The council accordingly refused to

"receive any Message from the House of Bur-

gesses" until proper satisfaction should be given

for this injury to its dignity, and the governor at

once dissolved the assembly. ^

Eight months later a new session was called, and

the governor again urged that the public debt

should be provided for.^ A land tax was pro-

posed by a committee of ways and means,\* but the

lower house decided to prepare " a Bill for emit-

ting a new Currency." '^ This contained the objec-

tionable clause providing for the wages of the

legislature ; and the council rejected it,^ saying

this could not be done, "unless both Houses will

consent to joyn in proclaiming that they are still

resolved to persist in that little regard too often

shewn to public faith heretofore." A deadlock

then ensued over this measure, and the legislature

was again dissolved.^ Shortly after these perfor-

mances James Moir writes that the assembly is

" pretty well versed in the American Lotteries of

cancelling any kind of obligations by the easy

Method of over rating a Commodity or by caus-

ing Paper Bills of credit to be issued out where

there is no Fund to support them."^ He adds

that a majority of the members at the last session

1 Records, IV. 719. « Idem, IV. 739.

\* /ifem, IV. 719, 732. « Id^m, IV. 746, 747.

» Id^m, IV. 734. ^ Idem, IV. 752.

\* Mm, IV. 738. 8 Idem, IV. 755.

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were in favor of repudiating the paper altogether,

and that this fact was making the currency about

as valuable as " a little waste Paper." In April,

1745, the governor called another session of the

legislature. He told the members that they ought

to give their attention to public affairs instead of

confining all their " cares and endeavors " to get-

ting into their own pockets " the money which was

appropriated to sink the Public Bills and preserv-

ing the public faith." ^ In this affair, he said, they

had been so " Wretchedly anxious " that they had

inserted in the bill their own names " with the par-

ticular sums affixed to them " ; and he considered

this conduct so indecent that he was "not suffi-

cient master of words to bestow the proper epithets

upon it." After some altercation between the two

houses, the legislature at last passed a bill levying

a tax, with the proceeds of which the outstanding

bills should be redeemed.^ Williamson has very

justly remarked that the policy of the assembly at

this time " exhibits little more than repeated and

disgusting proofs of a desire to discharge debts by

fictitious payments." \*

But the tax levied in 1745 did not accomplish

its purpose, and the condition of the currency was

not improved. In 1748, exchange on London was

^1000 colonial for ;£ioo sterling.\* Governor

1 Records, IV. 772.

a Idem, IV. 773, 775, 779, 782, 788, 791.

•History, II. 66.

^ Douglass, Summary, I. 494.

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EARLY ISSUES (1712-1748)

Johnston gives us to understand that one reason

for the failure of the law of 1745 was the breaking

down of the old system of paying taxes in com-

modities.^ In any event, the treasury of the col-

ony remained empty, and the most necessary

public services were neglected. Then began "a

loud and clamorous Demand for a large and

speedy Emission of a Publick Currency,\*\* ^ which

was probably due to the fact that the old depreci-

ated bills had fallen into such bad repute as to be

almost useless " but to such as are in Debt." ^ It

was claimed that more money was necessary in

order to pay off arrears of quit rents, as well as to

provide for public expenses. In 1747, some small

expeditions sent out from St. Augustine by the

Spanish committed depredations along the coast,\*

and this resulted in a demand for paper money

with which to erect forts.^ Finally the governor

yielded to the pressure that was brought to bear

upon him, and, in violation of his instructions,

consented to the emission of more bills of credit

without waiting for approval of the act from the

English authorities.^

The law of 1748^ was designed to make provi-

1 Records, IV. 921-923.

2 Id^m, IV. 922. » Idem, IV. 755.

\* Idem, IV. 922. » Idem, IV. 866.

^ Idem, IV, 900, 915. On p. xxii of this volume the editor

places the date of this issue at 1747. This is clearly wrong, as the

Records show the date to be 1748.

T The entire text of this act may be found in Iredell's Laws of

North Carolina, 115-118.

MONETARY HISTORY

sion for the outstanding currency, to furnish means

for erecting forts, and to pay off certain debts of

the province. All bills of credit then current were

to be exchanged in one year for new bills, at a rate

of 7jj. old currency for is, proclamation, or new

money. Then ;£6cxx) was set aside for construct-

ing four forts, and the rest of the bills were appro-

priated for paying " the several Persons to whom

the Public is Debtor." We know that the gov-

ernor had become at this time " the most consider-

able " of the public creditors,^ and it is reasonable

to suppose that the other persons included in the list

were the members of the assembly, who could not

have failed to urge their claims for whatever wages

might have been due to them. If we assume that

all of the ;£52,500 of bills of credit emitted in 1735

were still outstanding,^ it would have required no

more than £7000 of new bills to exchange all of

the old at the rate of 7 J for i. Thus not more

than ;£ 1 3,000 could have been needed to provide

for the old currency and to construct the forts.

But the law of 1748 authorized the issue of

-5^21,350, so that the claims of the governor and

assembly must have been estimated at very liberal

figures. The new bills were made a legal tender

at proclamation rates, "that is to say, At four

shillings Proclamation Money for three Shillings

1 Records, IV. 922.

^We have no means of determining how many old bills were

outstanding in 1748, but it is certain that the number retired could

not have been large. Cf. Records, IV. 921.

EARLY ISSUES (17 12-1 748)

sterling," ^ and severe penalties were to be imposed

upon persons who should counterfeit them. The

tax law enacted in 1745 was repealed, and a new

tax was levied, payable in gold, silver, or paper.

This act seems to have discontinued the old prac-

tice of receiving barter currency for taxes,^ a fact

which was urged by the governor as one excuse

for his approval of it.

We have no means of knowing how completely

the money loaned by the colony to its citizens had

been repaid ; but the law of 1748 recites that " there

are divers considerable Sums of Loan Money due

and unpaid," and directs the county treasurers to

take measures for collecting such arrears. Since

it is doubtful if these arrears could have been col-

lected any better than the quit rents were, these

debts due to the colony by borrowers became a

charge against the public treasury when the bills

originally loaned were exchanged for those issued

in 1748. And this was the result of a scheme for

defraying the charges of government out of the

interest of bills issued in 1729 and 1735. The law

of 1748 brought to the English authorities loud

complaints from the attorney general of the colony

and others.\* It was alleged, with how much truth

we cannot determine, that the construction of forts

^This was the correct ratio of the sterling and proclamation

rates, and exchange would be ;^I33 proclamation to ;^ioo sterling.

In the law of 1 7 15, exchange had been placed at fifty per cent

advance over sterling.

\* Records, IV. 923.

\*Idem, IV. 927-928, 932, 940.

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was a mere pretence for issuing bills,^ for " it was

made a job," and " two or three persons who were

in the Governors interest took the bills, and employ-

ing a few Negroes to throw up a little ground which

they called a Fort, charged the Province to the

amount thereof." The governor himself evidently

feared that he would lose his official head on

account of his violation of instructions, and accord-

ingly wrote the English authorities a long and

rather lame explanation of his action.\*

Thus the old currency was replaced by an issue

of new bills, and debts contracted in the early

decades of the century were still unpaid. North

Carolina's issues had expanded from £,^000 in

1 71 2 to ;£24,ooo in 1 71 5. Then the currency

was contracted to about ;£ 12,000 in 1722, by the

redemption of bills out of the proceeds of taxes.

At that time the redemption of the bills ceased,

and the currency remained stationary until 1729,

when it was increased to ^^40,000. In 1735, the

paper money was increased to ^^52,500, and soon

after this it had depreciated to one-tenth of the

value of sterling, whereas it was issued at a nomi-

nal rating of two-thirds of sterling money. Finally,

contrary to the law of 1735, limiting the currency

of the money to a period of ten years, the bills of

credit remained outstanding until 1748, when they

were replaced by an emission of a new tenor.

Thus North Carolina had actually redeemed none

1 Records, IV. 932, 940.

^Idem, IV. 919-923.

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EARLY ISSUES (1712-1748)

of the notes issued since 1712, with the exception

of ;£i2,ooo cancelled between 171 5 and 1722,

while about eighty-six per cent of the original

nominal value of the money had been repudiated

by the law of 1748.

ISS

CHAPTER II

THE LAST COLONIAL ISSUES (1749-1774)

The old currency of North Carolina, known as

" Old Proc," ^ was superseded by the issue of 1748,

which was thenceforth known as " Proc," ^ since it

was declared to be equal to three- fourths the value

of sterling. The ;£2i,350 of the bills of the new

emission had, therefore, a legal value of ^^16,012

sterling,^ or ;S>7i,093. Under the tax law of 1748,

only £703 of the bills had been drawn in and

destroyed\* up to September, 1750. This left

;£20,646 of proclamation money, or ;S>68,7Si, in cir-

culation. Since the population of the colony had

increased to nearly 90,000 by this time,^ this amount

of money would not seem to be excessive. But it

is to be remembered that barter currency was still

in use in private payments ; while, as will be shown

presently, a new form of paper medium was soon

introduced. Moreover, the colony had in the past

shown such a shameful disregard of all good faith

1 Martin, II. 51.

2 Williamson, II. 114, 115 ; McRee, I. 114-116.

' This is £4 proclamation for £^ sterling, as declared in the

law of 1748.

\* Records, IV. 1073.

6 In 1752, the population was 90,000. Idem, IV., p. XX.

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LAST COLONIAL ISSUES (1749-17 74)

that its " promises to pay " must necessarily have

been regarded with suspicion. Therefore, the bills

of the new emission soon depreciated.^

The inconveniences of the old barter currency

had become so great that in 1748, as we have seen,

the tax levied for sinking the bills issued at that

time was made payable only in gold, silver, or

paper. In 1754 and 1764, the legislature adopted

more radical measures of reform, and, in doing

so, originated a new kind of paper currency.^

Laws passed in these years provided that the old

" rated commodities " should no longer be a legal

tender for debts. In the future the commodities

might be brought to the warehouses established in

accordance with the statutes, and should there be

inspected by public inspectors, branded, and de-

posited for further shipment or for safe keeping.

When this had been done, the person depositing the

goods might receive from the inspector an amount

of notes equal to the value of the commodities at

official ratings. These notes were made a legal

tender for public taxes and for private debts with

some restrictions as to time. Thus North Caro-

lina instituted a system of currency that resembled

iln November, 1748, James Moir wrote that he had offered the

new bills at ten per cent discount for cash, and could \*\* get nothing

for them." Records, IV. 878. Yet, in September, 1750, a report

of the legislature said that the bills had until then " supported the

value they were emitted at." Idem, IV. 1073. This statement of

the official report was intended for the English authorities, and is

probably incorrect. See, finally, Williamson, II. 1 14.

2Records,VII.,p.XVIII.

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very closely the "tobacco notes" which were so

extensively employed in Virginia ^ after 1730. But

there was one great drawback with this new sub-

stitute for money. The warehouses, where alone

the notes could be secured upon the deposit of

commodities, were necessarily situated in the vicin-

ity of navigable streams. The result was that the

frontier counties, where the complaint of scarcity

of money was greatest, could not share in what-

ever benefits may have arisen from the use of

inspectors\* notes; and this finally became a sub-

ject for complaint.^ In the tidewater districts,

however, these notes formed a very important, if,

indeed, not the principal, part of the circulating

medium.

In 1754, the final struggle with the French for

the control of the Mississippi Valley began, and

North Carolina was called upon by Governor Din-

widdle, of Virginia, to aid in the expulsion of the

enemy from the Ohio region.^ In this manner

new debts were incurred, and pretexts were found

for emitting more bills of credit. The first of these

new issues was in 1754,\* when ;£40,ooo was placed

in circulation. That this was really an act intended

to inflate the currency is quite certain. Governor

Rice had died shortly before Dinwiddle's call for

troops arrived, and Matthew Rowan was tempo-

^See Ripley, Financial History of Virginia, 145-153.

« Records, VIl., p. XIX. Cf. Basset, Regulators, 154.

« Records, V., pp. X-XI. See also Records, 178.

\* Iredell, Laws, 157-163; Records, VI. 1308.

LAST COLONIAL ISSUES (1749-1774)

rarily the chief magistrate of the colony. William-

son says^ that Rowan "stooped to a bribe for

assisting dishonest men to defraud their creditors,"

and " assented to a bill for increasing a currency

that was already greatly depreciated." Martin

states 2 that the inflationists insisted that more

paper was needed, since the outstanding currency

would gradually be contracted by the operation of

the taxes levied for the purpose of sinking it. The

lower house, therefore, refused to provide for the

projected expedition unless Rowan would consent

to the issue of another batch of paper, and desired

to establish a loan office for the purpose of emitting

;£8o,ooo on loan. In any event, the law of 1754

shows, upon its very face, the intention of the men

who framed it. This act authorized the issue of

;£40,ooo, but of this sum only ;£i2,oco was applied

to the expedition in question. The sum of ;£4(X)0

was to be expended upon forts, and ;;^iooo was to

be applied to purchasing arms. The remaining

^^23,000 was expended for different purposes. The

law appropriated ;£4200 "towards paying the

public Debts of this Province," and we may hazard

a conjecture that these debts represented among

other things the salaries of the members of the

assembly, for we have encountered a similar item

in previous inflation bills. The rest of the money

was devoted to various " charitable and pious uses

of liberal education and public worship," such as

a school, parish church buildings, and the like;

1 History, II. 81. ^Idem, II. 66-67.

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all of which goes to show that almost anything

could serve as an excuse for inflation.^ Williamson

assures us that the " projected public school had

no patrons, whence it followed, that the money,

said to be given for the increase of learning, was

converted to other uses." ^ Finally the act levied

a poll tax and imposed duties on imported liquors,

for the purpose of sinking the bills.

The province learned once more that it is diffi-

cult to support expeditions in distant regions by

means of a paper currency. The troops sent to

Virginia had to be supplied by direct shipments

of pork from North Carolina, and at a greatly in-

creased expense. Sometimes produce was shipped

to the West Indies, and sold there for bills of

exchange on New York, which were used for the

support of troops sent to that province. Since

the commodities had to be disposed of at a forced

sale in \*\* a dull market," the cost of the war was

considerably increased.\*

Governor Dobbs, who came out to the province

shortly after this law had been enacted, received

positive instructions to assent to no bills for emit-

1 Upon the act of 1754 Mr. Rivers solemnly remarks : \*\* Rowan's

short term of service was distinguished by liberal contributions for

building churches and purchasing glebe lands for the support of

ministers of the gospel." Winsor, IV. 303-304.

2 History, II. 83. Letters from Governor Dobbs show us that

first ;f 8000, then ;f 9000 more, and finally the whole of the money

appropriated for churches and schools, was expended by the assem-

bly for military purposes. Idem, V. 333, 439-440, 573.

«/dfe/w,V.,pp.XI-XII.

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ting paper unless these should contain the familiar

suspending clause.^ He proceeded to project

schemes for establishing a copper coinage, and

creating a loan office by means of which the

colony would be enabled to sink the outstanding

biUs.2 He seemed, moreover, to have the "bal-

ance of trade'\* disease in a very violent form.^

But, as nothing came of his proposed measures,

we may conclude that the English authorities did

not approve of them, for they could not have failed

to secure support in North Carolina. The bills of

credit issued in 1754 were not at first accepted by

the people in the northern counties on account of

questions that had been raised respecting the regu-

larity of the proceedings of the legislature.\* In

1755, we learn that the currency had depreciated

"ninety per cent below Proclamation money, at

which it was originally issued.'\* ^ Yet money was

said to be very scarce in the southern part of the

province. The paper currency, we learn from the

same authority, would "neither purchase indigo,

cash, (if such can occasionally be had,) nor bills

of exchange." Indigo was said to be "the best

money to be had " in the province. In the same

year Governor Dobbs expressed ^ some apprehen-

sion about the currency, since the assembly was

not " inclinable " to maintain the credit of the bills

in circulation. But in 1756, he wrote that the bills

1 Records, V. I, 116. ^Idem, V. 573, 595.

2 Idem, v. 324-326, 333. » Idem, V. 45 1.

■ Idem, v. 392. • Idem, V. 440.

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were then circulating freely in the northern coun-

ties, so that the issue was not excessive.^

In 1756, military expenditures were again neces-

sitated, and a new form of obligations was issued.

The outlays occasioned by the war were met

by the emission of £3600 of treasury notes.\*

These were not made a legal tender, but they bore

interest for one year and were to be redeemed out

of the proceeds of taxes levied for that purpose.

The use of such treasury notes had been intro-

duced into New England shortly after 1750, and

thereafter many colonies employed this method of

anticipating the collection of taxes. In 1757 and

1758, the province made further issues of £2S,8o6,

which raised the total amount emitted during the

three years to ;£29,4o6.^ Finally, in 1759, £sSoo

of these notes that had been drawn back into the

treasury by means of the taxes levied to redeem

them were reissued without interest, and were

secured by a new tax. A report made in 1764

states that, upon all the notes, interest was paid

to the amount of ;£i370. By the year just men-

tioned, bills had been redeemed and cancelled to

the amount of ;£23,8o7; so that, of the £30,776

representing the total principal and interest, only

1 Records, V. 573.

^Itient, VI. 1309. On the treasury notes, cf. Records, V., p.

XLV. Williamson says that this form of obligations was issued

because the governor refused to consent to further emissions of bills

of credit History, II. J 14.

\* The details of all these issues may be found in a report made

in 1 764. Records, VI. 1 309- 1 3 1 1 .

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^£6968 remained in circulation.^ This was in

itself a legitimate and unobjectionable method of

borrowing, and the notes were redeemed with fair

punctuality. But, as they were thrown into a cur-

rency that was already depreciated, they may have

tended to increase the confusion.^

Meanwhile the colony was blessed with still

another form of circulating medium. In 1757, it

appeared that James Murray, a member of the

council, had been issuing upon his own account a

decidedly novel kind of promissory paper. Mur-

ray was in collusion with Rutherford, the receiver

general of the quit rents, and he proceeded to

issue bills which bore on their face a promise that

the receiver general would accept them in pay-

ment of the rents. At first these notes were made

receivable in only four counties, then they were

declared a tender for quit rents in all parts of the

province. Whenever the bills were brought back

to Murray, he refused to accept them except for

debts due to him or in payment for commodities

rated at exorbitant prices. Governor Dobbs finally

interfered with this peculiar enterprise of Murray

and Rutherford.\*

^ These are the figures of the report of 1 764. This states that

the ;^5SOO reissued in 1759 "neither adds or diminishes the Coun-

try Bills." Records, VI. 1 3 10.

\* Williamson states that these notes depreciated despite the fact

that they bore interest. History, II. 114. I have been unable to find

other evidence upon this point, but with the bills of credit at forty

or fifty per cent discount, these treasury notes must have depreciated.

\* An account of this transaction may be found in Records, V.

941-944, 951.

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The bills of credit of 1748 and 1754 failed to

rise to proclamation value, at which they were

emitted. In 1756, a Spanish dollar,^ worth 6s. at

proclamation rates, could not be had for less than

Ss. in paper, which showed that exchange was at

£177 colonial for ;£ioo sterling. Three years

later the governor stated that exchange had ad-

vanced to 190,2 and the same rates are reported

for 1760.^ In 1759, a number of London merchants

trading to North Carolina complained to the home

government that they had suffered losses from the

depreciation of the bills issued in 1748 and 1754,\*

and Governor Dobbs received instructions ^ to have

the laws of those years amended in such a way as

to make the paper a legal tender only at its actual

value in specie. The legislature, however, asserted^

that it could find no merchants or English creditors

who had suffered such losses, and therefore believed

the complainants to be "Persons of no Weight."

Accordingly the desired amendment was not passed.

In this same year the legislature attempted to issue

some more bills, but was restrained by the veto of

the governor.^ At this time the outstanding issues

of bills of credit were estimated at ;£50,ooo,^ or

;S>i66,oco, while the population of the colony was

something more than icx),oc».® This would make

it appear that about j£i 1,000 of the ^^61,350 issued

1 Records, V. 558. « Idem, VI. 4, 17. » Idem, VI. 305.

\* Id^m, VI. 17. 6 Idem, VI. 71. • Idem, VI. 218.

7 Idem, VI. 149-151. Cf. Martin, II. 103.

» Records, V. 951. • Idem, V., p. XXXIX.

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by the laws of 1748 and 1754 had been redeemed.

But we find that bills drawn back into the treasury

were often paid out again for current expenses,^

so that the notes in circulation must have fluctu-

ated in amount from time to time.

In 1760, renewed military outlays seemed pecul-

iarly urgent, and Governor Dobbs ventured to

depart from his instructions and to advise the leg-

islature^ to issue more paper currency for the

purpose of feeding and clothing the troops of the

province. The lower house tried to issue the bills

without providing a tax to sink them,^ but failed

to carry its point. The measure finally adopted

provided for the emission of ;£i2,ocx) in bills of

credit\* for paying military expenses, contingent

outlays, and bounties for killing Indians. The

bills were made legal tender at proclamation rates,

and a poll tax was laid for the purpose of provid-

ing for their redemption. In 1761,^ the governor

consented to another issue of bills of credit, this

time to the amount of ;£20,cxx), upon the same

conditions as in the previous year. As a result,

the outstanding legal tender bills were increased

to about ;£ 80,000,^ and exchange on London rose

tO;£200 colonial for ;£ 100 sterling.^

1 Records, v. 951. \* Idem, VI, 2^4. ^ Idgm, Vi. 246,

\* Iredell, Laws, 192; Records, VI. 1309. Cf. Martin, II. 130.

\* Iredell, Laws, 198; Records, VI. 1309. Martin incorrectly

puts the amount of this issue at ;^i 2,000. II. 147.

« Records, VI. 615.

^ Idem, VI. 612, 6x5. A silver dollar came to be worth more

than gs. in paper.

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It is necessary to refer briefly to an interesting

episode in colonial politics which was being enacted

at about this time. For its outlays in the war with

France, North Carolina received from Parliament ^

a grant of money that amounted to £77^9- Both

the governor and assembly desired to get exclusive

control of these funds. The latter proposed at

one time to use the Parliamentary grant in redeem-

ing a part of the outstanding paper, which certainly

seems a singular thing for a colonial assembly to

wish to do. The explanation of this action may

perhaps be found in a statement made by the gov-

ernor ^ to the effect that a junto of assemblymen

had united with the treasurer in a scheme to buy

up the paper at the current rate of exchange, £200

colonial for ;;^ioo sterling, and then redeem it in

specie at a rate of ;;^ 133 colonial for ;;^ 100 sterling.

The governor devised a plan of his own for redeem-

ing the paper, but this was rejected by the Board of

Trade on the ground that it was liable to the same

kind of objections as the plan advocated in the

assembly.^

The whole amount of bills of credit issued under

the laws of 1748, 1754, 1760, and 1761 was;;^93,3SO.

In 1764, a statement of the condition of the currency

was prepared for the legislature. This document\*

1 See Records, VI., pp. XI, XII.

2 Idem, VI. 305.

• IdeMf VI., p. XII. I cannot find that any part of this sum was

used for redeeming the paper. It was probably applied to current

expenses.

^Idem, VI. 1308-1311. Cf. V^illiamson, II. 255-257,

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informs us that, up to November, 1764, there had

been withdrawn and cancelled the sum of ;£25,286;

so that ;£68,o64 of the bills of credit remained

in circulation. Of the £30,776 representing the

principal and interest of the treasury notes emitted

between 1756 and 1759, the sum of £23,807 had

been retired ; so that £6g68 was still outstanding.

From these data it appears that the province had,

in 1 764, a paper circulation of ;£68,o64 bills of credit

and £6g6S in treasury notes, a total of £75,032.

For sinking these bills taxes had been levied, and

a simple enforcement of the law would retire all

the paper within a few years. Since the popula-

tion of the colony was now about 200,000,^ the

£75,032 of currency ($250,000) should not have

been a heavy burden. The fact that the appar-

ently moderate amount of paper in circulation

remained depreciated may seem somewhat singu-

lar. But it is to be remembered that the trade of

the province was not large,^ that in the frontier

^Estimates of population in 1765 vary. Mr. Saunders estimates

it at 125,000 in one place and 220,000 in another. Records, V.,

p. XXXIX ; Idem, VIII., p. XLV. Since the number of taxable

inhabitants was 45,912 in 1765, the entire population may have

been in the vicinity of 200,000. See Records, VII. 145, 289, 539.

^ It is difficult if not impossible to present any data concerning

the value of the imports and exports of the province. Statistics

for North and South Carolina in 1769 may be found in Macpherson,

III. 571-572. But it is impossible to determine accurately North

Carolina's share of the total exports and imports of the two prov-

inces. It may have been something less than ;^200,ooo sterling

in 1769. But the figures would not represent the trade of the

colony adequately even if they could be secured, because, on

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districts exchanges were effected chiefly by barter,

and that in the tidewater regions inspectors' notes

circulated to a very large extent. Consequently

the $250,000 of province paper, amounting per-

haps to $1.25 per capita, was a relatively large

sum. Moreover, the credit of the province had

been so greatly injured by the antics of the infla-

tionists in the past, that any kind of a public obli-

gation must inevitably have been held in suspicion.

No one could foresee what amount of paper might

be emitted in the future, and no one could feel

certain as to the fate of the currency then in

circulation.

In 1764, Parliament passed the act^ which pro-

hibited any colony from issuing bills of credit and

making them a legal tender for debts. This law

did not interfere with the issue of treasury notes,

such as had been emitted in 1756; and in 1773,

Parliament made an express declaration to that

effect.^ In 1764, Governor Dobbs advised the

assembly to call in the bills then circulating,

which were said to be much worn and counter-

feited, and to replace them with new ones.^ The

assembly, however, decided that such action would

involve needless expense, and that bills already

paid in, if in good condition, could be exchanged

account of the lack of good harbors, much of North Carolina's

foreign commerce was conducted through the ports of Virginia

and South Carolina. See Smyth, II. 98-99.

1 Stat, at Large, 4 George III. c. 34.

^Stat. at Large, 13 George III. c. 57.

• Records, VL 1090.

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for any torn or defaced money that might be in

circulation.^ Complaints of a scarcity of currency

still continued, and, in spite of the Parliamentary

prohibition, various petitions came to the legisla-

ture asking for more paper money .^ Governor

Tryon, who assumed the reins of government in

1765, seems to have sought to gain the favor of

the assembly by promising to use his influence

with the English authorities to obtain their

approval of the issue of more currency. By

means of these promises, he secured from the

assembly various enactments that he desired, but

his attempts to gain the assent of the home gov-

ernment to renewed issues of paper failed com-

pletely.^ In the " back counties " the scarcity of

even the paper money aggravated the causes of

discontent that led to the uprising of the Regula-

tors between 1765 and 1771.\* These facts show

that a currency large enough to depreciate did not

still the complaints of a lack of money.

In 1767, exchange fluctuated from £i7S to ;;^i82

colonial for ;£ 100 sterling,^ and foreign bills were

1 Records, VI. 1 154 a.

^Idem, VII. 386, VIII. 77. In 1766, the assembly complained.

Tdem^ VII. 417. In 1768, the assembly drew up a petition upon

the subject Ideniy VII. 619.

' See accounts of these transactions in Records, VII., pp. XII-

XIII, VIII. pp. XI-XIV. See Tryon^s announcement of the

refusal of a petition for paper money in 1769. Records, VIII. 17,

87. Cf. Martin, II. 245.

\* Basset, Regulators, 150-155.

\*Wc have two statements for this year. Records, VII. 491,

493. Wright, LXI., edition of 1767, says that exchange in North

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not easy to obtain in the province.^ By 1768, the

gradual withdrawal of the old bills of credit and

treasury notes issued prior to 1761 had reduced

the outstanding paper to ;;^6o,i07, which was

about ;£iS,ooo less than had been in circulation

in 1764.^ This was not an inconsiderable contrac-

tion of the currency for a period of four years,

during which the number of taxables in the

province increased from 34,000^ to 5i,cxx),\* which

indicates a large growth of population. This

contraction, however, did not bring the bills back

to their legal value of ;£i33 colonial for ;;^ioo

sterling, a fact which may have been due to an

increased issue of inspectors' notes, or to the dis-

turbances caused by the troubles with the Regu-

lators. In 1769, Governor Tryon placed the

amount of outstanding "proclamation bills" at

-^^58,535,^ a statement which corresponds nearly,

but not exactly, to the figures above presented.

Late in 1768, it became necessary to defray the

Carolina had been at 145 shortly before 1767. This must be an

error, since we have trustworthy evidence from North Carolina of a

higher rate.

1 See letters of McCulloh to Iredell, in McRee, I. 42-43.

\*See a report made in January, 1768. Records, VII. 215.

Here the total amounts redeemed up to date are stated at ;f37,i62

of bills of credit and £26,SS7 of treasury notes. Subtracting these

sums from the total amounts issued (viz. ;f 93,350 of bills of credit

and ;f 30,776 of treasury notes), we have left in circulation

£s6,iSS of bills of credit and ;f39i9 of treasury notes.

^Idem, VI. 1040.

^ Idem, \ll, 539.

^Idem, VIII. 12, 212.

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expenses of raising a body of troops which had

been called out by the governor in order to sup-

press an uprising of the Regulators, and the

assembly seized upon this as a good opportunity

to secure the issue of more currency.^ The cost

of raising the troops was only ;;^4844,^ but the

assembly straightway passed a bill for the emis-

sion of ;;^30,ooo in notes ^ which were to be used

for a variety of purposes, including of course the

payment of the wages of the members of the

legislature. But the governor and council refused

to consent to this measure. In the end a bill was

passed providing for the issue of ;£20,ooo of

debentures, which were to be redeemed out of the

proceeds of a poll tax of two shillings.\* The notes

were not, however, to be a legal tender ; ^ and the

English authorities finally approved of the act as an

emergency measure.^ Although these debentures

found their way into circulation, the assembly

proceeded in 1770 to pass a valuation act,^ which

prohibited sheriffs from selling property taken

in executions unless it realized two-thirds of the

valuation set upon it by a board of appraisers.

This was defended, of course, upon the ground of

the scarcity of money.® In the spring of 1771,

^On this incident see Basset, Regulators, 185.

^Records, VII. 887-888.

• Idem^ VII. 9 1 5-9 1 6.

^^Idem, VII. 917, VIII. 5, 6, 9. Cf. Martin, II. 249.

» Records, VIII. 9. « Idem, VIII. 266-267.

' Acte of N. C, 485-486; Martin, II. 271.

•Sec Records, IX., p. XV.

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another body of troops had to be raised in order

to suppress the Regulators ; and, in order to

meet the expenses incurred in this manner, one

of the treasurers issued notes to the amount of

;£6ooo,^ which were a further addition to the

currency of the province. These treasurer's

notes proved to be especially objectionable, since

they bore but a single signature and were readily

counterfeited.^

In July, 1770, ;;^58,S3S of the old " proclamation

money \*' was outstanding, besides the ;£20,ooo of

certificates, or debentures, issued in 1769; and all

this currency was said to be in brisk circulation.\*

^ In August, 1 77 1, Josiah Martin, Governor Try on's

successor, reached the colony.\* He found himself

confronted with a large amount of unpaid claims

caused by Tryon's expedition against the Regu-

lators, while the outstanding paper currency was

becoming discredited by the activity of the counter-

feiters,^ who had placed a large quantity of spuri-

ous bills in circulation. He urged the home

authorities to consent to an emission of new cur-

rency, which should be used for replacing the old

bills and for defraying the debts recently incurred

by his predecessor ; ^ and was told that this could

be permitted provided the notes were not made a

legal tender.^ The assembly complained of the

1 Records, VIII., p. XXIX. Cf. WiUiamson, II. 275.

2 Records, IX. 18. \*/dem, VIII. 212.

\* Idgm, IX., p. III. » li^m, IX. 18.

« Idem, IX. 19. ' Idem, IX. 65.

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difficulty of paying the debts of the province

without resorting to the issue of paper,^ and drew

up a petition to the Crown, praying that permis-

sion might be given to make the currency a tender

for debts.2 If this could be allowed, the assembly

pledged itself to " frame this Law, so as to prevent

British creditors from suffering, should such cur-

rency depreciate in value/' In this quotation the

italics are the author's, and the reader will hardly

fail to be struck by the implied willingness of the

legislature to rob domestic creditors. A bill was

then passed providing for the issue of ;;^ 120,000

in debenture notes,^ but this was vetoed by Gov-

ernor Martin.\* The governor wrote to Earl

Hillsborough ^ that a majority of the delegates

'\* from the Southern district in which the people

are almost universally necessitous and in debt,^ and

whose policy it has been to overflow the province

with paper money," advocated this large emis-

sion of new currency. He stated also that the

" minority from the Northern districts as warmly

opposed this system." In the end Martin con-

sented to the issue of ;£6o,ooo of " stamped de-

benture notes," equal to proclamation money.^

1 Records, IX. 142. « Idem, IX. 213. Cf. VII. 619.

^Idern, IX. 197. \* Idem, IX. 222. » Idem, IX. 76.

'This southern district was thinly settled and in much less com-

fortable circumstances than the northern and eastern counties. In

1755, Abercrombie reported that money was especially scarce in

"the Southward parts of the Province." Idem, V. 451.

' The text of this act may be found in Acts of North Carolina,

496-497. See also Records, IX. 76.

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The notes were not made a legal tender, and an

annual tax of two shillings per poll for ten years

was levied upon the province ^ in order to provide

for their redemption. By means of these bills

Governor Martin planned to retire the notes issued

during Tryon's administration, and he hoped that

such action would prevent the new currency from

depreciating.^ His course in this matter was

approved by the English authorities.^ Martin

tells us\* that the currency thus authorized was

placed in circulation much sooner than he had

expected, on account of " the alacrity with which

the base and false substitute of specie is manufac-

tured here." He adds that the new bills had

affected exchange far less than he had appre-

hended.^

At this point it is necessary to refer to the few

available facts concerning the coin cmrency of

North Carolina. The law that provided for the

issue of bills of credit in 1748^ declared the

paper to be a legal tender as proclamation money,

^Thus one-tenth of the bills was to be sunk each year. In

order for a poll tax of two shillings to supply the means for doing

this, the number of taxables must have been 60,000. This would

indicate a population of about 250,000. See Records, IX., p. XV.

^Idem, IX. 77. ^Idern, IX. 275, 278.

\*/^^»f, IX. 260. ^Idem,

\* Prior to 1748 the laws were not uniform. The bills issued in

1 71 5 were made a tender at ;f 150 colonial for ;^ioo sterling, the

same as the barter currency. Proclamation rates were £iZZ ^^

;f 100 sterling. Records, III. 178. Then the act of 1729 declared

20X. of the new paper equal to 15 dwts. of silver. Hawks, II. 284.

Thb made silver worth 26.6^. per ounce, while the proclamation

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or as sterKng money at proclamation rates.^ But,

as we have seen, the currency did not retain its

nominal value, and depreciated as soon as issued.

At the rate fixed in 1748, ;£i33 of the paper

ought to have equalled ;£ioo sterling; but ex-

change rose in a few years to ;£i90 and even

;^200.2 By 1767 it seems to have fluctuated about

;£i8o colonial for ;£ 100 sterling.^ We know that,

as early as 1756, a Spanish dollar exchanged for

8s. of the paper,\* whereas the proclamation value

of this coin was only 6^". When exchange finally

settled down to ;;^i8o, or perhaps less, a dollar

came to be rated, "by long usage," at 8s. ;^ for

with the paper currency worth £177^ colonial for

;^ioo sterling, this valuation of the dollar would

just keep it in circulation.^ This seems to furnish

an explanation of the fact that in North Carolina

the Spanish dollar came to be rated at 8s. In

1767, a bill giving a legal rating to gold and

silver coins was introduced in the legislature,®

but it does not seem to have become a law. The

rating was about 6s. io}</. The rate indicated the depreciation of

the paper.

1 Iredell, Laws, 117. Cf. Williamson, II. 39.

"Records, V. 451, VI. 4, 17, 305, 612, 615.

«/^iPW, VII. 491, 493.

\*/^^w,V. 588.

•Note Williamson, II. 115.

• Thus in 1767 exchange is quoted at from ;f 175 to ;^i82. Rec-

ords, VII. 493.

^ Such an overvaluation of the dollar would make 20s. of silver

of the same nominal value as 20s. of paper. See tables in Wright, 4.

\* Records, VII. 593.

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next year a law was passed "to encourage the

Importation of British Copper Halfpence, and for

making them a Tender for the Payment of small

Debts," but this was disallowed by the Crown.^

Various acts passed by the assembly give the

reader the impression that gold and silver circu-

lated in the province to some extent at least. In

1729, gold and silver were included among the

rated commodities.^ Seven years later, a law pro-

viding for the collection of quit rents made gold

and silver payable at proclamation rates.^ The

same thing was done in tax laws enacted in 1745

and 1748.\* After the bills of the new tenor came

to circulate at a relatively stable exchange of ;;^ 175

to ;£i82, the assembly, as we have seen, tried to

enact a law^ making gold and silver legal tender

at fixed ratings. Such measures would hardly

have been enacted if there had been no specie

in the province. In 1766, when Governor Tryon

mentions the subject of the scarcity of specie,® he

does not say that there is none in the colony. Gov-

ernor Glenn of South Carolina wrote to Governor

Dobbsin 1755^ that, since that province had retired

a considerable part of its paper, " gold and silver

begin to take up their abode with us, two-thirds of

all Payments being now made in those Metals."

Specie must have circulated to some extent in

1 Acts of N. C, 449. \* Records, VII. 593.

2 Hawks, II. 286. « Idem, VI. 144, 201.

« Records, IV. 185. ' Idem, V. 378-379.

\* Idem, IV. 781; Iredell, Laws, 117.

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North Carolina after the paper currency came to

have a relatively stable value. In 1770, Wynne

wrote concerning both Carolinas :^ " A very incon-

siderable quantity of English money circulates in

either province; the current cash consisting almost

wholly of Spanish dollars and pistoles."

It will be recalled that, in 1760 and 1761, the

province made two emissions of bills of credit,

amounting in the aggregate to ;;^32,ocx). For

sinking each issue a poll tax was levied,^ and it

was pledged that these taxes should continue in

operation until both of the emissions should be

redeemed. In 1768, after efforts to secure new

issues of paper had failed,^ the assembly voted to

repeal these taxes, alleging that enough money had

been collected to suffice for the purposes for which

the taxes were laid.\* Governor Tryon, however,

vetoed this act,^ the real purpose of which was to

lighten taxation and prevent the reduction of the

number of bills then in circulation. The fact is that

the tax system of the colony was both wrong in

1 Wynne, II. 301.

\* Iredell, Laws, 192, 198.

\* Basset gives an account of this transaction. Regulators, 152,

"53.

\* Records, VII. 922, 923. This was not correct. The total

amount of bills of credit of the emissions of 1748, 1754, 1760, and

1 761 that was cancelled between 1761 and 1768 was less than

£2^fiOO. Idem, VIII. 215. Many of these bills were, doubtless, of

the emissions of 1748 and 1754.

^ Idem, VII. 986. In 1771, Governor Martin stated that these

taxes were suspended by resolves of 1768. Idem, IX. 231. Com-

pare an act passed in 1770. Iredell, Laws, 254.

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principle and administered with a laxity that is

appalling. Nearly all the taxes levied in North

Carolina took the form of uniform assessments

upon polls, in the list of which adult white males and

adult colored males and females were included.^

At the time of which we are writing, the principal

auxiliary form of taxation was a light duty upon

imported spirits. Such a crude system of raising

revenue necessarily produced the grossest inequali-

ties, and these were made worse by bad adminis-

tration. The taxes legally in force in 1761, and

pledged to the redemption of the outstanding

paper, ought to have brought in about ;£8ooo

annually.2 But the sheriffs were exceedingly lax

in making collections, and were both negligent and

dishonest in turning money over to the treasurers

of the province; while the duty on liquors was

largely evaded by reason of the extensive scale

upon which smuggling was practised. In some

years the sheriffs turned in not more than one-

third of the amounts levied,^ and, in 1770, it was

found that in every county of the colony there was

at least one defaulting sheriff. In the year last

mentioned, the aggregate indebtedness of all the

sheriffs was ;£64,ooo.\* Thus there was good rea-

son for the belief in 1768 that the burden of taxa-

1 On this subject see Basset, 72 ; Williamson, I. 122 ; Records,

VII., p. XI, X., p. XXV. In 1 713 and 1715 a tax had been laid

upon land, but this was not permanent. Records, III. 189, 485.

2 Records, V., pp. XLV, XLVI.

» Idem, VII., p. XVII.

\* Idem, VII., p. XVII, IX. 68. See Wheeler, 311.

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tion should be lightened, but the proper remedy

would have been to hold the sheriffs to a strict

accountability. This would have lightened taxa-

tion without a violation of the public faith.

In 1 77 1, the assembly turned its attention to the

taxes levied in 1748 and 1754 for the redemption

of the bills of credit emitted in those years. The

clerk of the committee of accounts submitted a

report which purported to show that, of ;£6i,3SO

of bills of these two emissions, ;£S3,I04 had been

burned ; while there was in the hands of the treas-

urers a sum of money amounting to ;£i 2,585, which

would more than suffice to redeem the rest of these

issues.^ Accordingly the assembly voted to repeal

the taxes levied in 1748 and 1754, on the ground

that they had accomplished the purpose for which

they had been imposed.^ Then Governor Martin

vetoed the bill, and denounced it as a fraudulent

measure. The assembly, however, anticipating

this action, prepared a resolution that would have

had the effect of discontinuing the collection of

the taxes ; but the governor, learning of this pro-

posed action, dissolved the legislature before the

obnoxious resolution could be entered upon the

records.^ After this, the speaker of the lower

house informed the provincial treasurers of the con-

tents of the resolution, and these officials omitted

1 Records, IX. 166.

\* Idem^ IX. 167. See accounts of this afiair in Records, IX., pp.

XVI, XVII; Sikes, 11-14.

» Records, IX. 232, 233.

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these taxes from the lists ^ sent out to the sheriffs

for collection. Thereupon, the governor issued a

proclamation requiring\* the sheriffs to make the

collections as usual, and threatening to have them

sued for any amounts that they should fail to col-

lect.

Although the assembly's statement of the case

seems to be fair and plausible, the governor was

probably right in his criticisms upon its action.

The ;£53,i04 of bills said to have been cancelled

were probably not exclusively bills of the two emis-

sions of 1748 and 1754. The governor said^ that,

in the accounts of the bills that had been cancelled,

no pains were taken to distinguish between bills of

the four emissions of 1748, 1754, 1760, and 1761.

This is certainly the case in the report submitted

in 1770,\* and was probably true of the report of

1 77 1. The facts then would seem to be that bills

amounting to ;£93,35o had been emitted in 1748,

1754, 1760, and 1 761 ; and that ;£53,i04 had

been redeemed by 1771, while ;£i2,585 more

were said to be in the treasury but not yet de-

stroyed. This left a considerable quantity of the

old legal tender paper still in circulation,^ and bills

of the emissions of 1748 and 1754 were undoubt-

1 Records, IX. 233, 234. • Idetn^ IX. 231.

\* Identy IX. 229, 234. \* Idem, VIII. 215.

• The governor said that ;f 42,800 in legal tender paper was still

outstanding. Idem, IX. 231. This is about the difference be-

tween the ;£'93»350 representing the four emissions and the ;f53»i04

said to be burned.

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LAST COLONIAL ISSUES (i 749-1 774)

edly outstanding when the legislature proposed to

repeal the taxes levied for redeeming the two issues

just mentioned. But there is still another point to

be considered. The governor stated that in 1768

the poll tax levied for sinking the bills issued in

1760 and 1 76 1 had been illegally suspended by a

resolution of the assembly.^ If it is true that the

assembly circumvented Tryon's veto of the bill

suspending the taxes of 1760 and 1761 and suc-

ceeded in abolishing those taxes, then its action in

1 77 1 was quite as "fraudulent" as Martin repre-

sented it to be ; for the repeal of the taxes levied

in 1748 and 1754 would have taken away the only

remaining funds available for redeeming the bills

of credit.

In 1 77 1, it appears that about ;£40,ooo of the old

legal tender notes were still in circulation,^ and

during that year the ;^6o,ooo of debenture notes

authorized by Governor Martin were added to the

currency of the province.^ This made a total of

about ;<C 100,000 of notes,\* while the population

1 This incident is discussed by Martin, II. 291, 292 ; Williamson,

II. 164-166 ; Jones, 74-75, loi.

\*This is the difference between the ;f 93,350 emitted in 1748,

1754, 1760, and 1761, and the ;f 5 3, 104 said to be burnt in 1771.

\* These debenture notes replaced all the notes issued in Tryon's

administration.

\*I assume that practically all the £3^\*77^ o^ treasury notes

issued between 1756 and 1759 had been redeemed. Of this sum,

;f 26,857 was reported burnt in 1770. Records, VIII. 215. The

;f 100,000 in circulation in 1771 was equivalent to 1^333,000, at

its nominal value. With exchange at 177, it would be equivalent

actually to ;|S250,ooo.

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of North Carolina was about 250,cxx).^ No more

paper money was issued during the colonial period,

but in 1774 we find the assembly petitioning for

permission to emit bills of credit and make them a

legal tender .2 Inspectors\* notes probably continued

to be extensively employed as currency, and a

law was passed in 1770 making special regulations

concerning the receipt of indigo notes for taxes.^

The ;£6o,cxx) of debenture notes issued in 1771

do not seem to have affected exchange materially,\*

and the condition of the currency remained about

the same until the opening of the Revolution. In

July, 1772, Iredell stated that exchange was at

£160 colonial for ;£ 100 sterling,^ which indicates,

perhaps, some appreciation of the currency .• In

1 Records, IX., p. XV. « Acts of N. C, 461-462.

« Martin, II. 325. \* Records, IX. 260.

\*McRee, I. 115. Smyth states that in 1774 exchange was at

;f 133. Smyth, II. 99. But this was certainly a mistake, and was

probably due to an oversight of the fact that "proclamation

money" in North Carolina meant a rating of the dollar at eight

shillings instead of six.

\* With the rating of a dollar at &., the nominal par would be

;^I77. But at this time the pound sterling was in reality a certain

quantity of gold, because that metal had been overvalued by Eng-

lish law, and silver was being displaced. Therefore Spanish silver

coins when shipped to England would have a value that changed

whenever the ratio of gold to silver varied. The legal rating of

silver was 5J. 2d. per ounce, which made the dollar worth 45. 6d.

But silver was sometimes more valuable than this, so that the

dollar became worth 45. &/. When this happened, the actual par

of exchange would fall from £iyy to £171$ with the dollar rated

at Ss, See Wright, 4. Besides this, it must be remembered that

the English gold coins were in very bad condition, having been

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^77Sf at least ;^40,ocx) of the debenture notes issued

in 1 77 1 must have remained outstanding;^ and, in

addition to this, a considerable quantity of the

bills of credit was still in circulation.^

subject to great loss from abrasion and clipping. The mint price

of gold was 77.87J. per ounce ; but gold bullion in the market

often sold for as much as Sos., because that sum of money was

paid in light-weight gold coins. See Smith, W. of N., I. 43-44 ;

McCulloch, 318. In 1773, it was decided that the gold coins

weighed on the average from 2.5 to 5 per cent less than they should

have done ; and ;^3^i 8,000 of selected coins showed a loss of nine

per cent. 34 Journals of House of Commons, 734-735. Such a

condition of England's gold coins might lower exchange in North

Carolina several per cent below 171. Finally, the cost of shipping

and insuring specie was much more than at the present day. In

1760, the cost of freight and insurance was over four per cent in

Massachusetts. Acts of Mass., IV. 541. If exchange happened

to be in favor of North Carolina in 1772, the rate would be

lowered by an additional amount. Perhaps, in this manner, we

can account for Iredell's statement.

^The tax levied to redeem them was supposed to bring in

;f 6000 annually for ten years. See Acts of N. C, 496-497. The

tax would have redeemed not more than ;f 24,000 by 1775, if

thoroughly and punctually collected. Probably it brought in con-

siderably less than that sum.

^ We know that some of these legal tender bills were in circula-

tion as late as 1778. McRee, I. 389, 406.

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CHAPTER III

THE LAST ISSUES (1775-1788)

North Carolina was badly prepared to enter

the struggle for independence. Her credit had

been impaired by previous violations of the public

faith; and she had a considerable quantity of

paper in circulation, so that the margin of safety

for future issues was a narrow one. In April,

177s, the final message^ of the last royal governor

called the attention of the legislature to the fact

that the treasury was empty, while large demands

of various creditors were unsatisfied and the dues

of public officers were unpaid. The assembly con-

templated^ "with great concern" the "exhausted

state of the public funds," and said that this unfor-

tunate condition was not due to its own misconduct.

Owing to a dispute between the governor and the

legislature, no list of taxables had been drawn up

since 1772, and consequently no taxes had been

collected for more than two years.^ But more

than this, the province had no system of taxation,

except a primitive poll tax and a few imposts on

commerce. Even these were badly administered,

^Records, IX. 1 195; Jones, 166.

2 Records, IX. 1204; Jones, 169.

•Records, IX. 1204.

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as is shown by the fact that the tax collectors in

1770 were indebted to the province for ;^64,ooo.^

The manner in which county officials sometimes

attended to their duties is shown in a letter written

about 1772, in which the writer states that, in his

county, " no County tax is laid, no list of taxables

is returned, no Sheriff qualified," so that "all is

confusion, anarchy, and uproar." ^ Under such

conditions, a debt of ;£6o,ooo was considered

almost beyond the resources of the province in

1771,^ when North Carolina had a population of

about 25o,(X)o; and an annual tax of ;£6ocx),

levied in order to sink this indebtedness,\* was

probably regarded as a heavy burden. Under the

most favorable circumstances, the development of

an adequate system of taxation would have been

difficult in such a sparsely settled colony ; ^ but the

long-continued use of paper money, for the payment

of both ordinary and extraordinary outlays, greatly

impeded this process. Why should the people

submit to taxation, if the payment of one debt by

creating another is to be considered a proper

method of meeting public obligations ?

When a provincial congress met in August, 1775,

a committee of ways and means reported^ that the

1 Records, VII., p. XVII.

«McRee, I. 75.

»See Records, IX., pp. XII-XIV.

\*ActsofN. C, 496.

\* These facts are well stated by Williamson, in the American

Museum f II. 122, 123, 127.

•Records, X. 183-184; Jones, 222-223.

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colony was in debt to various creditors; that no

money "on the Contingent fund" was in the

hands of the southern treasurer; and that no

information could be secured concerning the con-

dition of the treasury of the northern district.

The committee recommended that measures should

be adopted to recover the \*\* diverse large sums of

money due from sundry sheriflfs,"^ and that the

money collected since 1771, under the tax laws of

1748 and 1754, should be returned to the taxpay-

ers. In order to provide the funds needed for the

defence of the province, the congress then voted \*

to emit $125,000 in bills of credit. These were to

be a legal tender at the rate of eight shillings for

a dollar ; persons who should " speak disrespect-

fully" of the bills or offer a premium for specie

were to be treated as enemies of their country;

and finally a poll tax of two shillings, running for

a period of nine years, was levied for the purpose

of sinking the currency. This tax, however, was

not to be collected until 1777. Thus the war was

to be carried on for 1775 and 1776, if it should

last so long, without resorting to the unpleasant

expedient of paying taxes.

In April and May, 1776, more money had to be

raised, and the congress issued^ ;£soo,ooo more of

1 Acts were subsequently passed for this purpose. See Iredell,

Laws, 334, 386.

2 Records, X. 194-196; Jones, 223. Martin incorrectly places

the amount of bills at |(i50,ocx). History, II. 365.

B;^ 1 00,000 was authorized in April and ;^400,ooo in May. Rec-

ords, X. 532 573. See Martin, II. 3S6; Jones, 254, 257.

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its paper, or ;J! 1,250,000. These bills were emitted

upon the same terms as the issue of 1775, and

were to be redeemed by a poll tax which should go

into operation in 1780. Jones states that these bills

were badly engraved on a poor quality of paper,

and that they were extensively counterfeited. In

1777, a tax of one shilling on every ;^ioo of

property was established for the purpose of meet-

ing county expenses,^ but no such provision was

made for the needs of the state. In 1778, more

funds were required, and the legislature authorized

the emission of ;£85o,ooo of paper, or ;J!2, 12 5,000.^

Some of these bills were to be used for replacing

former issues, which were much counterfeited;

and the rest were to be applied to defraying mili-

tary expenses. Mr. McRee says that no adequate

fund was provided for sinking this last emission,

and that the legislature was unwilling to hazard

its popularity by levying sufficient taxes to place

the credit of the state upon a proper basis.\*

In 1779, however, the legislature applied to

other purposes that portion of the bills issued in

the previous year which was to have been ex-

changed for the emissions of 1775 and 1776.\* By

this enactment the redemption of the two early

issues was postponed until 1780, and later laws

1 Iredell, Laws, 348-349. This tax was modified in 1779. Idem^

378. Iredell wrote that the action of the assembly in 1777 left " a

faint glimmering of hope." McRee, Life of Iredell, I. 359.

2 Iredell, Laws, 360-361.

• life of Iredell, I. 404. \* Iredell, Laws, 369.

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provided for a further postponement for four

years.^ Meanwhile the depreciation of the paper

was increasing at an alarming rate. The official

tables established in 1783 recognized no deprecia-

tion before March, 1777, but these figures are

notoriously incorrect. The continental paper

began to decline in value as early as the middle of

1776, and this process could not have been much

longer delayed in North Carolina. By January,

1778, a depreciation of 3 J for i is recognized by

the official tables.^ In this year, Iredell urged the

grand jury at Edenton to proceed against all per-

sons guilty of offering a premium for specie.^ He

stated that it was a common practice to " make a

difference " between paper issued by the colonial

government and that issued by the state, or be-

tween continental paper and the bills emitted by

North Carolina. By January, 1779, six dollars in

paper were worth only one in specie ; and a year

later the rate of depreciation had increased to

32 for I.

Meanwhile the evils of counterfeiting had become

so great, in spite of the severe penalties prescribed

by the laws,\* that the legislature appointed in each

county inspectors of the currency.^ Persons who

should be offered any of the bills were authorized

to bring them before these officers, who were to

stamp all counterfeits. When the assembly was

convened in April, 1780, the state currency had

1 Iredell, Laws, 401-414. ^Idem, 452. «McRee, I. 389,

\* Iredell, Laws, 389-390. \* Idftrtf 400.

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THE LAST ISSUES (1775-1788)

depreciated ^ to one-fiftieth of its nominal value, if

not less; while the continental money had been

practically repudiated by the action of Congress

on the eighteenth of the preceding month. Up to

this time taxation had been practically suspended

in the state, except for the small sums that may

have been raised for county purposes. This

assembly levied a tax for the year 1780;^ but

it also emitted bills of credit to the amount of

;£i, 240,000, or $3,100,000, and made this money

a legal tender at its nominal value.^ This law

contained one section which authorized the gov-

ernor to emit "such further Sum or Sums" as

might be needed during the recess of the assem-

bly.\* But the paper money had become so nearly

worthless that the war could no longer be carried

on through such an agency, and in September ^ it

was necessary to call for a specific tax payable in

provisions. This was afterwards described by

Governor Johnston as the "most oppressive and

least productive tax ever known in the State." ^

Yet, in 1781, "a money and specific Provision

Tax " was imposed.^

By the opening of 1781, one dollar of the paper

issued by North Carolina was worth less than one-

^ Iredell, Laws, 452.

«/^«, 397.

^Idem, 397-398.

\* Of the laws passed at this session Iredell wrote, " They are

certainly the vilest collection of trash ever formed by a legislative

body." McRee, 1.446. • Elliot, IV. 79.

^Iredell, Laws, 405. ^ Iredell, Laws, 417.

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half of one per cent of its nominal value.^ Yet

the legislature proceeded to authorize the issue of

$26,25o,cxx) of notes in order to raise and equip

four battalions of continental troops.^ These notes,

or certificates, were payable in 1782, and bore

interest at six per cent It has been impossible

to determine whether they were made a legal

tender,^ but they must have found their way into

circulation, as such certificates usually did. In

February of this year, the salaries of judges were

fixed at ;£20,ooo annually;\* and by December,

$725 in paper was worth but $1 in specie.\*\* In

the early months of the year the currency was so

nearly worthless that the legislature provided that

all future purchases on the part of the state should

be made at specie rates,^ and paid for by issuing

certificates that should be redeemed in gold or

silver. But this was little better than a mere

impressment of supplies, and added to the paper

of the state a new form of indebtedness. At the

same time provision was made for adjusting tem-

porarily old claims against the state by appointing

district auditors to examine the demands of credit-

ors and to issue certificates for the amounts due.^

1 Iredell, Laws, 452. \* Idem, 409-410.

\* Iredell does not print all the sections of the law.

\*McRee, I. 488. In 1780, Iredell paid ;^i6o per day for board

and lodgings. Idem, I. 472.

\* Iredell, Laws, 452. • Idgm, 41 2.

'^ Idem, 410. The law fixed the prices that should be allowed

for each article furnished to the state. These prices were such as

prevailed in the period of inflation, as 32^. per pound for beef. The

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THE LAST ISSUES (1775-1788)

As the paper currency approached a condition

of utter worthlessness, it circulated with increasing

difficulty, and finally collapsed. At the same time

specie began to return to circulation. This process,

of course, was attended with considerable incon-

venience ; and, for a time, it seems to have been

necessary to resort to barter.^ In May, 1780, Ire-

dell received $19 in silver.^ By 1781 and 1782

specie became plentiful, and remained so until it

was once more replaced by paper.^ In 1783, the

legislature repealed all acts making the old cur-

rency a legal tender, and established an official

scale of depreciation for use in the settlement of

debts contracted during the period of inflation.\*

At the same time valuations were established for

foreign gold and silver coins, the dollar being rated

at eight shillings. This valuation of the dollar

was a mere confirmation of the rate at which it

had previously been received.\*\*

certificates, therefore, were placed on the level of the depreciated cur-

rency; and, accordingly, they were made receivable for taxes at the

rate of 200 for I. Idemt 417.

^Thus in 1780 Iredell's sister is found trying to barter sugar for

chickens. McRee, I. 517.

2 Iredell, Laws, 451.

• In 1787, Willianison wrote that money had been " very plenty "

three years before. American Museum^ II. 107. In 1788, speakers

in the state convention commented on the abundance of specie

after the close of the paper-money period of the war, and said it

remained plentiful until paper was issued again. £lliot, IV. 90,

189. \* Iredell, Laws, 452-453.

\*Thus in 1779 an act relating to confiscated debts, which were

contracted in specie, placed exchange at 175, which shows the

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By 1780, North Carolina began to levy taxes for

state purposes,^ as we have seen. The exigencies

of the times had compelled the legislature to sup-

plement the assessment of polls by a tax on prop-

erty ;^ and, in 1782, a law was passed providing for

the assessment and collection of poll and property

taxes.^ Real estate was the principal item of prop-

erty taxed,\* and the assessments were commonly

called land and poll taxes.\*\* In 1785 and 1786,

other imposts were added to the revenue system

of the state.^ The taxes introduced in 1780 did

not prove effective at the start, and North Caro-

lina was able to give but little financial support to

the federal government. Prior to December, 1779,

the state seems to have paid nothing on her quotas

of the requisitions of Congress. Then, between

that month and June, 1780, North Carolina paid

$2,380,000 in depreciated paper, for which she

received a credit of $73,304 in specie,'' an amount

that was perhaps fifty per cent more than the bills

were actually worth.® In 1780, Congress asked the

dollar to be rated at Ss, In 1782, Morris reported a rating of Ss.

Sparks, Diplomatic Correspondence, XII. 91.

iSee Iredell, Laws, 397, 405, 417.

«See laws passed in 1777 and 1779. Idem, 348, 378.

«/(ir»f, 429-430.

\* See State Papers, Finance, I. 435-436.

^See Letters to Washington, IV. 69; American Museum^ II.

122. ^ Iredell, Laws, 519, 586.

^ State Papers, Finance, I. 62.

^ This sum was rated according to the tables of depreciation es-

tablished by Congress, a scale which understated the extent of the

deterioration of the paper. Cf. Bullock, 132-133.

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state to furnish $i,ocx),ocx) per month for twelve

months in order to sink its quota of the continental

bills. Upon this requisition ^ North Carolina paid

nothing until 1789, when she turned in $$,061,061

in paper, for which a credit of $126,671 ^ in specie

was allowed. From 1781 to 1788, Congress called

upon the state for $463,^06 in specie and ;J!674,739

in indents. Of these sums North Carolina paid

only $48,626 in specie.^ This is a poorer showing

than was made by any other state except Georgia.

The Revolution left North Carolina with a large

debt consisting of depreciated paper\* and certifi-

cates of many kinds issued at various times to the

public creditors.^ By 1783, the paper currency had

disappeared from circulation, and the state was

upon a specie basis after seventy years' experi-

ence with a fluctuating medium of exchange.

Then began a renewed agitation for an issue of

bills of credit. In May, 1783, the legislature voted

to issue ;£icx),ooo, or i!2 50,000,^ ostensibly in order

to pay continental soldiers and officers of North

Carolina ; ^ but one clause of the act provided for

1 See Bullock, 158; Williamson, II. 281-282.

^ State Papers, Finance, I. 59. This paper was valued at 40 for

I, which was several times as much as it was worth. The continen-

tal paper was funded in 1790 at 100 for i, and had been as low as

500 or 1000 for I.

« Idem, I. 54-57.

\* Writings of Madison, I. 513.

• Williamson has described this part of the debt. American

Museum, II. 126. • Iredell, Laws, 443.

' Note title of act, and compare McRee, II, 63.

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the payment of members of the assembly out of

the new bills. The paper was made a legal tender

in all payments, and 2^ tax was levied for its re-

demption. Moreover, the property recently con-

fiscated by the state was pledged as security for

this new emission. A contemporary writer charac-

terized the assembly that passed this act as a " set

of unprincipled men, who sacrifice everything to

their popularity and private views." ^ A few

months later the inhabitants of Edenton entreated

the legislature to make no further issues, and to

redeem the last emission as quickly as possible.^

Instead of doing this, the legislature soon broke

its solemn promises, and the money ^ derived from

the confiscated estates was " converted to another

use."

The bills emitted in 1783 soon depreciated, and

then arose a clamor for another issue of paper.\*

Accordingly, in 1786, an emission of ;£ioo,ooo was

authorized.^ The new bills were declared a legal

tender in all payments, and a tax was levied for

their redemption. It was promised, furthermore,

that when the tax brought bills into the treasury,

the money should not be placed in circulation

again. Some of the new bills were used for state

expenses, and a debt was thus incurred for expendi-

tures on the " civil list," which should have been

defrayed out of the taxes of the year. Then a cer-

1 McRee, II. 46. \* Idem.

« Idem, II. 63. \* Iredell, Laws, 550-553.

' American Museum, II. i lo.

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tain amount, not to exceed ^^36,000, was appro-

priated for the purchase of tobacco on the account

of the state.^ This was intended as a means of

providing for the state's quota of the interest due

for that year on the foreign debt of the United

States. The tobacco was to be sold for the high-

est price obtainable, and the proceeds were to be

placed at the disposal of the Board of Treasury

of the United States. The law provided at first

that the commissioners appointed to purchase the

tobacco should not pay more than 50$". per cwt.^

Madison writes that the agent " was authorized to

give nearly the double of the current price ; and

as the paper was a tender, debtors ran to him with

their Tobacco, and the creditors paid the expence

of the farce." ^ Maclaine states that, in March,

1786, no one was purchasing tobacco in Wilming-

ton except the commissioners, and that " the mer-

chants will not take it at the public price.\*' \* This

seems to confirm Madison's statement that the state

made the purchases at excessively high prices.

Probably on account of the disadvantageous rates

paid by the commissioners, a law was passed late

in 1786^ requiring that "the said Commissioners

shall not on any Pretence give more than the cur-

rent Cost Price of the Day." But this did not

save the state from a loss upon the transaction.

^ See also explanatory act passed in 1786. Iredell, Laws, 590-

591.

« Idem, 552. \* McRee, II. 139.

• Writings of Madison, I. 244. \* Iredell, Laws, 591.

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Williamson stated^ in 1787 that the tobacco had

been purchased "for two prices." In 1788, in the

North Carolina convention, Hill asserted ^ that the

state had "purchased tobacco at an extravagant

price, and sold it at a considerable loss,\*' receiving

"about a dollar in the pound/\* This would mean

a loss of sixty per cent. At the same time and

place Johnston said:^ "We are swindlers; we

gave three pounds per hundred weight for tobacco,

and sold it for three dollars per hundred weight,

after having paid very considerable expenses

for transporting and keeping it." He said that

a merchant who " purchases dear and sells cheap "

is certainly a swindler. Since these statements

passed uncontradicted, we niay safely conclude

that North Carolina lost more than fifty per

cent upon this speculation in tobacco. More than

this, the paper quickly depreciated. In August,

1786, Madison reported a depreciation of twenty-

five or thirty per cent.\* The following year Will-

iamson wrote that twelve or thirteen shillings of

paper were worth only one dollar in specie,^ which

indicates a depreciation of more than fifty per

cent.^ In 1788, two dollars in paper were worth

only one dollar in specie.^ Williamson states ^ that

1 American Museum, II. no. ^ Elliot, IV. 84.

\* Idemf IV. 89. \* Writings of Madison, I. 244.

\* American Museum ^ II. 113.

^ In this same year Hamilton reported a depreciation of 2 for I.

Hamilton, II. 37.

T Elliot, IV. 183. 8 American Museum, II. 113.

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THE LAST ISSUES (1775-1788)

a guardian bought up paper " at twelve or thirteen

shillings for a dollar," and used it in paying to an

orphan the principal of an estate of i!2CXX).

While North Carolina had furnished the federal

government almost no financial support, the people

of the state generally exhibited considerable fear

and dislike of the idea of taxation by any federal

authority.^ It was not surprising, therefore, that

the Federal Constitution encountered bitter opposi-

tion in the state. Paper money was another issue

involved in the contest. North Carolina's dele-

gates in the federal convention had voted to

prohibit the states from emitting bills of credit,^

and had favored the proposition to take this

dangerous power away from Congress.^ The

leaders of the federalist party in the state had

wearied of the paper-money policy adopted after

the close of the Revolution,\* while some of the

anti-federalists had favored the measures of infla-

tion.^ Outside of the state the delay of North

Carolina in ratifying the Constitution was at-

tributed to the desire "of preserving paper money

and tender laws.\*' ® The fear was expressed "^ that

the provision of the Constitution prohibiting the

iMcRee, II. 178, 181, 217, 286, 329.

« Elliot, I. 271. « Idem, I. 245.

\* See opinions of Iredell, Maclaine, Davie, and Johnston. Elliot,

IV. 89, 156, 157, 173, 183, 184 ; McRee, II. 60, 63, 246, 247, 267.

\* See McRee, II. 246-247, 267. In the state convention one

speaker objected specifically to the prohibition of paper money.

EUiot, IV. 169.

\* McRee, II. 241. "^ Elliot, IV. 182-185.

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issue of bills of credit by the states would interfere

with the paper currency already in circulation, and

it was proposed^ to amend the plan of govern-

ment in such a way as to make such interference

impossible. In the votes upon ratification it

appears that the counties adjoining Albemarle

and Pamlico sounds were the real support of the

federal cause; and it will be noticed that this

region was the oldest and most populous part of

the state, representing distinctly the commercial

interests of North Carolina.^ Five out of the six

towns represented in the convention of 1788

favored ratification,^ and it was from one of these

that a protest against paper money had come in

1783.\* On the other hand, the opposition to the

Constitution centred in the thinly populated

districts of the interior and of the southern parts

of the state.^ We have already noticed that, in

1 77 1, the delegates from this southern district had

been most anxious to flood the province with

paper money; and it seems certain that, in 1788,

the desire for such a currency was greatest in the

J Elliot, IV. 247.

8Libby, 38.

^ Idem^ 41. Cf. American Museum^ III. 71-74.

\*McRee, II. 63.

\* See Libby's map of the distribution of North Carolina's vote.

With this compare the map of the Eleventh Census showing the

density of population in 1790. Eleventh Census, Report on Popu-

lation, I., p. XIX. This shows that the southern and western

counties had a population of from two to six persons per square

mile.

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THE LAST ISSUES (17 75-1788)

sparsely settled regions of the south and west.

It is evident, therefore, that there was a close

connection between the inflationist movements in

1785 and the opposition to the Constitution in 1788.

Although so large a part of the debt contracted

during the Revolution had been wiped out by the

depreciation of the paper,^ to the great loss or

utter ruin of the holders of the bills, North Caro-

lina had a large debt in 1787. This consisted of

certificates issued to creditors, the almost worth-

less bills of credit emitted during the war, and the

currency created in 1783 and 1785. The conven-

tion called to consider the constitution in 1788

recommended 2 that the legislature should "take

efiFectual measures for the redemption of the

paper currency " ; and the town of Wilmington,

at least, instructed its representative to favor such

a policy.® A few months later it was proposed to

adopt a scale of depreciation for the paper emitted

in 1783 and 1785, and some members desired to

issue j^70,ooo more ; \* but no such measures were

adopted. In 1789, the paper had begun to appre-

ciate, and complaints of a great scarcity of money

were renewed.^ During the following year the

assembly was "again running riot" over the

action of Congress in voting to assume the debts

of the states.\* Taxes had been levied in 1788 and

1 See McRee, II. 63 ; Annals of Congress, 4th Cong., 2d Sess.,

1800. ^Idenit II. 246, 267.

« Elliot, rV. 252. ^Idem, II. 276.

» McRee, II. 243. • Idem^ IL 301.

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1789 for calling in the continental and state paper

and the certificates issued to public creditors,^ so

that a certain amount of these obligations had

been paid in at the treasury.^ Maclaine reports

that, in 1790, some persons proposed to subscribe

these funds in the hands of the comptroller and

treasurer as a part of the debt of the state.® The

assembly did actually draw upon these securities

in the treasury for j<C 12,000 to defray contingent

charges for the current year.\* Under the funding

act of 1790, the United States authorized the

assumption of ^^2,400,000 of North Carolina's

indebtedness, and the national government actually

assumed 1^1,793,803 ^ of this amount

But a large part of the bills of credit issued in

1783 and 1785 remained in circulation. In 1796,

Walcott reported « that the "debt of the State

consists principally of paper bills of credit, of

which about one hundred and fifty thousand

pounds are estimated to be in the treasury and

in circulation." A year later the debt of North

Carolina was reported to be ^^430,000,^ which

represents probably the approximate amount of

currency then outstanding. In 1804, the state

chartered the Bank of Cape Fear and the New-

bem Bank, and required that the capital of each

1 Iredell, Laws, 630, 666. ^ Idem, II. 301.

8 McRee, II. 304. \* Idem, II. 304.

» Tenth Census, VII. 327 ; U. S. Stat., I. 142.

• State Papers, Finance, I. 434.

7 Annals of Congress, 4th Cong., 2d Sess., 1802.

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THE LAST ISSUES (i 7 75-1 788)

institution should be subscribed in specie. The

managers of these banks ^ "contrived to get

possession of nearly all the paper money which

had been issued on the faith of the State, which

being at the time a legal tender, enabled them to

evade demands for specie, which they did, by

thrusting this ragged paper at those who presented

their notes for specie/' This makes it seem

probable that in 1804 there was some difference

between the value of paper and that of gold or

silver. The bills of credit were still in circulation

in 1 810, when the State Bank of North Carolina

was chartered. The law establishing this institu-

tion provided 2 that the capital stock should be

i! 1,600,000, and that one-fourth of this amount

should be paid " in the paper currency emitted by

this State." After the bank should be ready to

commence business, the notes were to be no longer

a tender for debts due to or from the bank.

Finally, the dividends on the ]J!2 50,000 of stock

owned by the state were to be applied to the

redemption of the paper subscribed to the bank's

capital. But this law did not fully accomplish the

purpose of retiring the paper money ,^ for the sub-

scriptions to the stock of the bank proved smaller

than was desired, in spite of the fact that addi-

^ Gouge, 144.

'Laws of North Carolina, 1171-1180. This law was entitled

" An act to redeem the paper currency now in circulation, and to

establish a bank," etc. Cf. Gouge, 145.

\* On this bank see Sumner, Banking, 46-47, 85, 176-177.

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tional inducements were ofiFered by a subsequent

act of the legislature.^ In 1814, the charters of the

Banks of Cape Fear and Newbem were extended

upon condition that, in case the State Bank should

be voluntarily dissolved before December 18, 18 16,

these institutions should redeem the bills of credit

with their own bank notes at the rate of one

dollar for ten shillings.^ This showed, of course, a

depreciation of twenty per cent in the value of the

old currency, which was issued at the rate of one

dollar for eight shillings. In 181 4, 181 6, and

1823, the state treasurer was authorized to issue

|i262,cxx) of treasury notes in order to pay for

subscriptions to bank stock.^ The dividends

received from these investments were used in

retiring the notes, but in 1836 it was stated\* that

1^50,887 were still outstanding.

In 1837, John C. Calhoun made the following

statement^ concerning the history of the bills of

credit issued in 1783 and 1785: "North Carolina,

just after the Revolution, issued a large amount of

paper, which was made receivable in dues to her.

It was also made a legal tender, but which, of

course, was not obligatory after the adoption of

the Federal Constitution. A large amount, say

between four and five hundred thousand dollars,

remained in circulation softer that period, and con-

tinued to circulate for more than twenty years at

1 Laws of North Carolina, 1199. > Idem, 1301-1302.

» Idemy 1 301, 1346; Sumner, Banking, 177.

\* Idem, 177. \* Calhoun, III. 86.

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par with gold and silver during the whole time,

with no other advantage than being received in

the revenue of the State, which was much less

than |i 100,000 per annum. I speak on the informa-

tion of citizens of that State, on whom I can rely."

If Calhoun had consulted the law passed by the

legislature of North Carolina in 18 14, he would

have learned that ten shilUngs of bills of credit

were worth at that time only eight shillings in

specie. In 1787, as we have seen, the deprecia-

tion was very much greater.

We have now followed the history of paper

money in North Carolina through three periods,

of which the first begins in 1712 and the last ends

about a century later. The first period ended with

an act of utter bankruptcy, the paper currency

having sunk from ;^i50 colonial in 171 5 to

;£iooo colonial in 1748 for every ;£ioo sterling.

The experience of the province during the second

period, which ended in 1774, was much less dis-

astrous. Yet the bills of credit issued in 1748 and

subsequent years depreciated from ;^I33 to ;^200

colonial for j^ioo sterling. That worse results

were not reaped during these years was due solely

to the restraining influence of the governors, who

were bound by explicit instructions and by the act

of 1764; for the assembly desired repeatedly to

emit large sums of new paper. In respect of the

repeated violations of public faith, the second

period was hardly better than the first. Moreover,

the province entered upon the contest for inde-

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pendence, burdened with a paper currency and

unprovided with an adequate system of taxation.

The third period saw the rise and fall of the

continental paper currency and the issue of

1^34,100,000 by the state; all of which became

practically worthless in 1781, entailing a second

bankruptcy. Then ;£200,ooo more paper was

issued in 1783 and 1785, only to depreciate to

one-half its nominal value and to involve the

state in a losing speculation in tobacco. What

the subsequent policy of North Carolina might

have been if the Federal Constitution had not pro-

hibited the issue of bills of credit by the states,

can be only a matter of conjecture. Perhaps the

War of 18 12 would have furnished a pretext for

another reckless inflation of the currency. In

any event, the state was unwilling to levy taxes

to redeem the paper that was outstanding in 1789.

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Part III

THE PAPER CURRENCY OF NEW

HAMPSHIRE

CHAPTER I

COLONIAL ISSUES (170^1739)

During Queen Anne's War, New Hampshire

became involved in debt, and began to issue bills

of credit in order that " the government may stand

fair with her Majesty's good subjects, and the

soldjers may be encouraged in the defense of the

Province." ^ The first issue of ;^3000 was made

in 1709,^ and the bills then emitted were declared to

be receivable for taxes at five per cent advance;^

so that they practically bore interest. Taxes seem

to have been established to redeem the bills within a

period of five years.

During the following year, it became necessary

to raise additional funds,\* and a second issue of

;^25oo was authorized.^ In 171 1, the legislature

voted\* to reissue j^2000 of bills that had been

brought into the treasury in payment of taxes,

and emitted ;£2000 of new currency.^ At about

\* Papers of New Hampshire, III. 420.

\*/<^/w, III. 410-41 1. The house of representatives declared

that it would prefer to borrow from Massachusetts the money needed.

\* Idem^ III. 430.

\* See Letters of governor. Idem^ III. 440, 449.

»/i^»f, m. 460.

« Idem, III. 474, 475, 477, 503, 505.

» Idem^ III. 503, 505.

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the same time it was decided to discontinue the

five per cent advance allowed on money paid into

the treasury, since it was thought that the bills cir-

culated readily enough without such a concession.^

It now became necessary to pass an act for sup-

pressing counterfeiting.^ In 1 712, in order to pay

various claims against the province, it was decided

to reissue the ;£iooo that would be received from

the payment of taxes for that year, and to make a

new emission of £soo^ This brought the total

issues up to ;£8ooo (^^26,660);\* and, since the

;^3CXX) of bills reissued must have represented

practically all of the money received from the

taxes levied to sink the currency, it is probable

that the whole amount of the original emissions

was in circulation. In May of this year the legis-

lature authorized the treasurer of the province to

receive torn or defaced bills in exchange for cur-

rency that was in good condition.^

In April, 171 3, the war was ended by the

Treaty of Utrecht, and no more paper money was

manufactured during that year. But, in 1714,

;£i200 was emitted "for the payment of the

province Debts." ^ In this year it was found ^

1 Papers, III. 473-474-

\* Idem, III. 477. The text of this act may be found in Acts of

N. H., 34. It made the penalty for counterfeiting the same as for

forgery. « Papers, III. 533-534-

^ I assume that the dollar was rated at six shillings.

» Papers, III. 514.

« fdemf III. 565. These bills were to be redeemed in five years.

7 Idem, III. 563.

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COLONIAL ISSUES (i 709-1 739)

that the taxes were being paid partly in bills

issued by Massachusetts, Rhode Island, and Con-

necticut ; and accordingly the legislature voted to

lend the entire j^iSCX) of taxes collected during the

past year to persons who would agree to repay

the loan in New Hampshire currency.^ Thus in

the second year of peace the province managed

to increase its issues by ;£i200, and to prevent

the retirement of ;^iSoo of bills that should have

been withdrawn from circulation.

The bills issued by each New England province

came to circulate freely in all of the others,^ so

that Douglass could speak of the "promiscuous

Currency in the four Governments.\*\*® In 171 2,

we find that New Hampshire deposited a certain

quantity of her bills in Boston in order that they

might be exchanged for worn and defaced money.\*

The result was that practically a single currency,

subject to a uniform rate of depreciation, circulated

in New England until 1 749.^ Thus, in 1 741, a writer

^ Papers. The money appears to have remained in the hands of

the borrowers for a long time. In 1 715, it was reported that the

loan had been made and good security taken. Idem^ III. 605. In

1 7 16, ^^230 more was loaned in the same manner. Idem^ III. 643.

In 1722, it was reported that the ;f 1500 loan and the ;^230 loan

were represented by bonds that were in safe keeping. Idem^ IV,

341. In 1732, the borrowers of this ^£^1730 loan were required to

pay arrears of interest and renew their bonds. Idem^ IV. 655.

\* Bronson, 52-53; Douglass, Discourse, 309; Papers, V. 565.

\* Douglass, Discourse, 311.

\* Felt, 64.

\* This is evident from a comparison of tables of depreciation in

the four colonies. See Felt, 83, 135; Diary of Hutchinson, I. 53;

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in Boston stated that " public bills of four Prov-

inces " were circulating in Massachusetts at 2gs.

for an ounce of silver.^ In 1739, the secretary of

the province of New Hampshire wrote to the

home authorities as follows:\* "The rate of

Silver and Exchange between this Currency and

Sterling has always been the same as at Boston,

which is the Grand Mart of New England, and in

that respect governs the whole country." The

New England money began to depreciate in 171 3

or 1 714; and, by the latter year, 9^. in New

Hampshire paper was required to purchase one

ounce of silver, whereas Ss. would have sufficed

at the time the first bills were issued.\* With a

view perhaps to preventing further depreciation,

the legislature now decided that the paper should

once more be received at the treasury at five per

cent advance.\*

In 1715, it was found that ;^iSOO of province

bills had been drawn into the treasury; and the

legislature voted to reissue ;^SOo of this money,

while it was decided to have the remainder burnt.^

This was the first time that the law had been

obeyed by destro)ring the paper received from the

taxes levied to sink the bills. By this means the

Douglass, Summary, I. 494; Wright, LXV.; Belknap, III. 225;

Coll. N. H. Hist. Soc., V. 258; Bronson, 52; Potter and Rider, 55;

Wecdcn, 473-474. 484.

1 Felt, 107. « Papers, V. 46.

\* Cf. Douglass, Discourse, 304; Belknap, III. 225.

\* Papers, III. 564.

» Idem, III. 586, 589, 591, 592, 605.

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COLONIAL ISSUES (i 709-1 739)

issues outstanding were reduced to about £8200,^

and the price of silver remained at gs. for the

year 1715. During 17 16, the legislature reissued

;^I500 of bills 2 instead of burning them, so that

the currency remained stationary. At the same

time, taxes to the amount of ;£iooo were sus-

pended.\* The price of silver rose to los. per

ounce for 1716, the increased depreciation being

due perhaps to larger issues of paper by other

provinces. Although the colony now had a paper

circulation of about $27,000,\* and a marked de-

preciation of twenty-five per cent had set in, the

legislature had complained of " a very great

scarcity of Money," and had resorted to a repeal

of part of the taxes levied to sink the bills of

credit. This action was prophetic of the events

of the ensuing year.

Early in 1717, it was proposed to make a new

and much larger emission,^ and by May it was

voted to issue ;^ 15,000 on loan for eleven years

at ten per cent interest.^ The money was to be

^ The total issues had been ;f9200 after the emission of 1714.

\* Papers, III. 643, 644, 646, 647.

• Idem, III. 647.

^ The circulation most have remained at about ;f 8200, or 127,330.

The population of New Hampshire was estimated at only 10,000 in

1730. Coll. of N. H. Hist. Soc, I. 229. The money in circulation

in 1 7 16 must have amounted to about three dollars per capita, a

large sum for a province with so few industries and so little com-

merce as New Hampshire had. In 1 730, the imports into the prov-

ince were estimated at only ;f 5000 sterling, /dim, I. 228.

\* Papers, III. 671, 675, 687.

• Idem, III. 688-689. Cf. Belknap, II. 20-21 ; Hildreth, II. 311.

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lent upon mortgages on land double the value of

each loan, and the various towns were to receive

shares proportioned to their quotas of the province

taxes. The annual payments of ten per cent of

the loan were to be burned in the presence of the

assembly each year, and bills issued by other

provinces were to be accepted in such payments

only at five per cent discount It is evident that

the New Hampshire inflationists were unwilling to

be outdone by their brethren in Massachusetts

and Rhode Island, where public loan banks had

been created in 1714 and 1715.^ None of the

bills of former emissions were burned this year,^

so that the currency of the province must have

been increased to about ;£2 3,000. As a result, the

price of an ounce of silver rose to 11 j. in 1 718, and

i2s. in the following year.\*

For the next few years the inflationists seem to

have been content with what they had accom-

plished. In 1 71 8, the assembly voted to bum

;^900 of old bills,\* but the records do not state

distinctly that this event took place. In 1720,

;^964 was actually bumt.^ Thus, at the most, the

currency was decreased by only £1^64 between

1 71 8 and the end of 1720. Meanwhile counter-

1 Felt, 67; Potter and Rider, 11.

\*The records show no further burning of bills until 1718. In

January, the lower house of the legislature passed an act intended

to reissue all the bills of credit in the treasury. Papers, III. 667.

» Belknap, III. 225.

\* Papers, III. 736,737.

^/dem, III. 786.

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COLONIAL ISSUES (i 709-1 739)

feiters had been at work in the province,^ so that

the governor recommended that some of the bills

should be exchanged for new currency.^ In 1721,

the governor received instructions from England

to consent to no more laws for issuing bills of

credit unless they contained a clause providing

that they should not go into operation until ap-

proved by the home government.^ By this time

the depreciation had increased so greatly that an

ounce of silver was worth i^s, in paper;\* yet it

appears that jQiSOO of money that had been

drawn into the treasury was " misapplied," so that

the governor had to urge the assembly to "con-

sider of ways and means to bring it into the treas-

ury again." ^

During 1721, bills to the amount of ;£ 11 88 were

burned .\* but the currency did not improve. In

spite of this fact, the legislature attempted to emit

;^20,ooo and then ;£ 15,000 of new paper, and

desired to reissue money that had been paid into

the treasury.^ Thus the appetite for a cheap cur-

rency had not been satisfied, although $67,000 of

paper was in circulation.®

1 Papers, III. 797. ^Idtm, III. 830.

^ It/em, III. 813-814. Cf. Bancroft, II. 263 ; Green, 163.

\* Belknap, III. 225. \* Papers, III. 830.

«/</^w, III. 810, 819, 829.

Wiigm, III. 802, 807, 815, 835, 838.

^ Subtracting the sums already stated to have been burned from

the total emissions, it appears that ;f 20,148 was in circulation or in

the treasury. This would amount to more than six dollars per

capita.

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The colony now became involved in an Indian

war which lasted for three years.^ This furnished

a pretext for renewed issues of paper ; and another

was found in a proposition " for Striking bills of

Credit in this province for the encouragement of

raising naval Stores/' ^ for which the royal assent

was desired. The result was that in May, 1722,

the legislature voted to issue ;£28oo ; ^ and in the

following October decided to emit ;^2000 more.\*

These were used for province expenses, and were

to be redeemed by taxes payable in bills of credit

or naval stores. No paper seems to have been

burned this year; and, by its close, silver was

selling for 14^. 6rf. per ounce. Besides making

these two new issues, the legislature voted ^ to

emit j£S3^4 of bills of credit to be exchanged for

the worn and defaced paper issued prior to 1716.\*

These new bills were to be redeemed in five equal

instalments by taxes that should begin in 1724

and continue to 1728.^

1 See Belknap, II. 43-83 ; Papers, IV. 148.

2 Papers, IV. 40, 317. •Idtm, IV. 35, 36, 38, 39, 315.

\*/fl5fw, IV. 74, 76. »/dV»i, IV. 35, 36, 315, 339, 340.

•The issues prior to 1716 amounted to ;£'9200. Of these I find

that no more than £2000 were burned prior to 1722. Idemy III.

592, 605, 737. The other bills that were burned were a part of the

£i$iO0O emitted on loan in 1715. This would make it seem that

;f 7200 of the early bills must be in circulation, whereas the law of

1722 proposed to exchange only £<fZ^' The legislature may

have assumed that all of the ;f4052 of bills burned prior to 1722

were of the emissions prior to 1 7 16. On this assumption it would

have been calculated that £$1^^ were in circulation.

'^ The old bills were replaced only gradually by the £sz'^A emis-

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COLONIAL ISSUES (i 709-1 739)

The province had, at the beginning of 1723, a

currency amounting to about ;^25,ooo'^ This was

equivalent to at least eight dollars per capita,^

and the price of silver soon advanced to i6s, per

ounce. During 1723, the records show that ;£32i

of the bills were retired,\* while no more issues were

made. But, in 1724, the governor had to ask for

additional funds for conducting the campaign

against the Indians,\* and a new issue of ;£2C)00

was authorized.^ These bills were to remain in

circulation for a period of ten years, since the

taxes levied to redeem them were not to be col-

lected until 1733 and 1734. During 1724, £626

of the currency was burned,^ so that the net

sion. I find that ;f 2281 of old bUls were exchanged between 1723

and 1726. Papers, IV. 119, 122, 137, 162, 163, 181, 195, 196,

202, 211, 228. By 1737, the total number of bills exchanged was

;f4998. See Papers, IV. 246, 247, 299, 517, 598, 618, 633, 652,

690, 704, 710, 718, 732. In 1742, £S$ more was exchanged.

Papers, V. 182. This raised the amount exchanged to ;f 5084.

^This is the total of the ;£'20,i48 issued and in circulation prior

to 1722, and the ;f 4800 emitted in that year.

\* The province could not have had a population much in excess

of 10,000 before 1730. See Coll. of N. H. Hist. Soc^ I. 229.

• Papers, IV. 348. Besides this, ;f 789 of the bills issued prior

to 1 71 6 were burned after being exchanged for bills of the £S3S4.

emission. Idem^lV, 119, 122. This, however, did not effect any

change in the amount of money in circulation. In subsequent

statements no account will be taken of the bills exchanged for

those of the ;f 5384 emission. ^Idem, IV. 156.

^Idemy IV. 157, 158, 167, 395, 398; V. 29. The house of'

representatives desired to emit ;f3000, but the council refused.

Idimy IV. 156, 157. This is perhaps an indication of a desire for

a conservative policy upon the part of the counciL

•/</if»»,IV. 381.

MONETARY HISTORY

increase of the paper money for the year was only

In May, 1725, Governor Wentworth informed

the assembly \* that the clergy of the province had

been sorely distressed by the depreciation of the

paper currency, since salaries of ;£ioo established

a dozen years before had been reduced to about

one-half of their original worth.^ The assembly,

in the same month, abolished the five per cent

advance that had been allowed for province bills

received in payment of taxes.\* Shortly after this,

bills issued by the other New England colonies

were made receivable for the taxes of the current

year.\* This last action is explained probably by

the desire of the assembly to make the retirement

of the New Hampshire bills as difficult as possible,

for any bills of the other provinces that might

come into the treasury were sure to be reissued.

In December, an issue of £2000 of paper was

authorized ^ in order to defray the expenses of the

war. This emission, like the previous one, was to

be redeemed by taxes due only after ten years.

The paper burned during this year amounted to

£1377,^ so that the net increase of the currency

was £607.

1 Papers, IV. 169.

^Silver was at Zs, per ounce in 1 7 10, and at 151. or i6j. in 1725.

Selknap, III. 225.

•Papers, IV. 175, 178, 401.

^Idem, IV. 407. See also law of 1729. Idem^ 522, 529.

^Identy IV. 194, 205, 411, 417, V. 30.

^ Idem, IV, 181,405.

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COLONIAL ISSUES (i 709-1 739)

At the opening of 1726, the province must have

had about £^26fi2\ of paper in circulation.^ In

January, £,^QO was issued in order to replace worn

or defaced bills of any issue since 1715.^ Then

in December two new emissions, aggregating

^2cxx), were authorized.\* One-half of these was

to be redeemed by taxes in 1737, and the other

half in 1738. In this same month the legislature

had to appropriate ;£ 1 50 of currency in order to

purchase a bill of exchange for £,^0 sterling.\*

During the course of the year bills amounting to

;^940 were burned,^ so that the legislation of 1726

resulted in a net addition of ;£io6o to the currency

of the province.\*

In 1727, a further emission of £^2000 was author-

ized, and the bills were to be redeemed in 1739

and 1740.^ Thus the period of redemption, which

at first had been five years, had now been length-

ened to thirteen. During this year ;£i099 of the

former issues was retired,^ so that the real increase

^This equals the ;f 24,948 circulating at the end of 1722, plus

the ;f4000 emitted in 1724 and 1725, and minus the ;f2324 burned

in 1723, 1724, and 1725.

\* Papers, IV. 201, 205, 416, 417.

^Jdem, IV. 232, 239, 438, 443, v. 30.

^ Idem^ IV. 233-234. This corresponds very closely to the

figures of Belknap. The latter gives i6j. as the price of silver in

1726. Belknap, III. 225. The sterling price of silver was 5^. zd,

\* Papers, IV. 237, 422, 442.

• In May of this year the house desired to issue £2000 for pub-

lic buildings, but the council refused. Idemt IV. 430\*

'^ Idem, IV. 250, 251, V. 30.

• Idem, IV. 246, 445.

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of the currency was j£goi. In the spring of 1728,

the lower house of the legislature proposed to issue

;£30,ooo upon the same terms as the loan of 171 7,

but the council objected on the ground that this

was too large a sum.^ A similar proposal was

made a month later, and met with the same fate.\*

Upon the first of June, two projected issues were

under discussion, but neither one seems to have

been authorized.\* During this entire session the

two houses of the legislature had been engaged

in a series of disputes over various matters,\* and

it is not strange, therefore, that the council felt

inclined to object to a proposal to add £so,ocx)

to a currency that was already depreciated. The

legislature was dissolved in June, and did not meet

again until April 22, 1729.^ Diuing the entire

year no bills seem to have been destroyed, and the

price of silver had now advanced to 17^. per

ounce.®

When the legislature met in 1729, several at-

tempts were made to reissue bills that had been

drawn into the treasury in payment of taxes.' In

the end, £1776 of the currency was reemitted,®

1 Papers, IV. 289, 490.

\* /iigm, IV. 298. Meanwhile, a proposition to issue ;^3000 had

failed to receive the approval of the council. Idem, IV. 491.

« Idem, IV. 502.

^ On this dispute see Belknap, II. 90-93.

6 Papers, IV. 308. • Belknap, III. 225.

'Papers, IV. 529, 553.

8 This was in two issues of ;^ 1076 and £7^^» Idem, IV. 516^

5i7»530»546, 550»557»V. 30.

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COLONIAL ISSUES (i 709-1 739)

after a discussion in which the instructions of the

governor played a part.^ The salary of the chief

magistrate was now fixed at ;£6cxd in the paper

money of the province, a sum which was declared

to be worth ;£2CX) sterling.^ By this time the

;£i 5,000 issued on loan in 171 7 was due, but only

£^797 had been actually paid in and destroyed.\*

The legislature was unwilling to retire this cur-

rency, but finally provided that it should be with-

drawn in three instalments in 1729, 1730, and

173 1.\* During the entire year, ;£3io8 of old bills

were burned ; ^ but the outstanding currency still

amounted to about ;£2 5,477, while the price of

silver advanced to igs, 6d, per ounce.^

In 1730, Governor Belcher informed the assembly

that he had " a liberty to emit from time to time

what Bills of Credit may be necessary to defray

the expense'\* of the province.^ Accordingly no

time was lost in preparing a bill for issuing ;£i300,®

which received Belcher's assent after the assembly

had made alterations desired by him in the bill

granting his salary.® Encouraged by its success

in this matter, the legislature, later in the year,

passed a bill for issuing £6000 for repairing forts

1 Papers, IV. 517.

^Idem^ IV. 513. For Belcher's salary in 1730 see Idem^ IV.

570, 760, 761.

•See Idem^ III. 786, 810, 819, 829, IV. 181, 237, 246, 349, 381,

526.

^Jdem, rV. 516, 537, 544, 624. 'Papers, IV. 566.

» Idem, IV. 497, 517, 526. ^Idem, IV. 571, 572, 761.

« Belknap, III. 225. ^ Idem, IV. 571-572.

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and building a state house.^ This time, however,

the governor objected,^ and " produced his Instruc-

tions prohibiting his assent to any bill for the

Emission of any more paper currency, except for

the support of the government." Besides this

measure, the assembly sought also to postpone to

a later period the redemption of the outstanding

bills; but here again Belcher's veto was encoun-

tered.\* No paper money was burned during this

year, so that the currency of the province must

have increased to about £26^77.

In 1 73 1, the legislature brought forward repeated

projects for issuing more paper, one of these tak-

ing the form of a £40^000 loan,\* but these efforts

proved fruitless. No bills were burned in this

year, however, so that the currency remained

unchanged. In 1732, Governor Belcher, whose

instructions required him to have the outstanding

currency retired punctually according to the law,\*

called the attention of the legislature to the ;£i 5,000

loan emitted in 171 7.® He said that, although all

of the loans ought to have been paid by 1731,

not half of the issue had actually been collected.

When the legislature desired to emit £1000 of

bills to be redeemed by a tax in 1744, he informed

it that his instructions required him to have all the

money retired by 1742.^ During the year, the

1 Papers, IV. 583. » Idemy IV. 772.

^Idem, IV. 771-772. • Idem, IV. 624.

• Idem, IV. 771. ' Idem, IV. 621, 622, 786.

\* Idem, IV. 593, 607, 608, 777.

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COLONIAL ISSUES (1709-1739)

currency was diminished by burning ;£i3ii of old

bills,^ so that it stood at about £2^,466,

In 1733, the house of representatives twice

attempted to emit ;£20,ooo upon loan for a period

of sixteen years, but the council objected to the

project, stating finally that it would be "diamet-

rically opposite" to the governor's instructions.^

The representatives then desired to petition the

King for his assent to this project,^ and a deadlock

ensued which was ended by the governor, who dis-

solved the assembly.\* In January, 1734, a new

legislature was convened, and Belcher urged it to

place the defences and public buildings of the

province in proper condition, and to provide for

the public debts.^ Within a few days the lower

house proposed to issue ^^3000 of paper that

should not be retired until after 1742, and the

council passed an act to emit ;£3000 which should

be cancelled in 1740, 1741, and 1742.\* This ulti-

mately led to another deadlock,^ which called from

Governor Belcher a sharp message stating that he

would not under any conditions extend the time of

the currency beyond 1742.® The representatives

then declared their intention of appealing to the

Board of Trade, and defied the governor.® They

1 Papers, IV. 598, 622.

« /dVw, IV. 634, 635, 636, 637, 640, 791.

» Idem, IV. 641-642. \* /demy IV. 644-645.

\* /dfmf IV. 647-648. On this dispute see Belknap, II. 109-

no.

« Papers, IV. 655, 799. • /demy IV. 662.

f Idem, IV. 657-661. » /depi, IV. 663-664.

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next discussed plans for reissuing interest money

due on. the ;£ 15,000 loan, until Belcher finally dis-

solved the assembly a second time.^ Belcher then

issued a proclamation ordering the commissioners

in charge of the ;£ 15,000 loan to enforce strictly

the payment of the amounts still outstanding.^

In the fall of 1734, a new assembly was convened,

and urged by the governor to provide the funds

needed for meeting public debts and supporting

the government.\* But the members showed no

disposition to comply with his request, and were

soon sent back to their homes. Between January i ,

1733, and December 31, 1734, the bills of credit

burned amounted to ;£2035,\* so that the currency

of the province now stood at the sum of ;£23,43i.

Yet the large issues made by the other colonies in

New England and the unwillingness of the New

Hampshire legislature to fulfil its own promises

had discredited the paper, so that silver was now

selling ^ at 2js. per ounce. Under such conditions

the house of representatives had passed an act

making the paper issued by the province a tender

even in special contracts^ and had the assurance

to send over for the consideration of the English

authorities a scheme for emitting ;£6o,ooo of new

bills of credit.^

In April, 1735, Governor Belcher called the

1 Papers, IV. 666-667. \* Belknap, lU. 225.

a Idem, IV. 668. « Papers, IV. 659.

» Idem, IV. 671-680. 7 Idem, IV. 834-835.

\* Idem, IV. 633, 652.

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COLONIAL ISSUES (1709-1739)

assembly together again. He informed them that

no taxes had been laid to supply the treasury for

four years, and that the needs of the province were

extremely urgent.^ The house of representatives

prepared a supply bill, which provided for the

emission of ;£4000 of bills of credit ^ that were to

be redeemed in 1742 by taxes payable in hemp,

flax, and bills of credit issued by the other New

England provinces as well as those emitted by

New Hampshire. The council objected to this

measure, pointing out, among other things, that a

tax payable in this manner would not call enough

province bills into the treasury to make it possible

to retire the paper by 1742.^ The representatives

insisted upon their original measure, and the gov-

ernor then dissolved\* the assembly. During the

session Governor Belcher had called the attention

of the legislature to the fact that certain citizens

of New Hampshire had presumed " to strike and

Issue paper notes or Bills to pass in lieu of money."

He said that, since the province was restrained by

express instructions from doing such a thing, " pri-

vate persons ought not to presume upon it." ^ The

house of representatives replied ^ that it was " not

sensible wherein such an attempt is unwarrantable

unless some notorious Fraude or Cheat might be

designed and discovered therein," since the in-

structions from the English authorities did not

1 Papers, IV. 681, 685. \* Idem, IV. 696-698.

« Idem, IV. 694. » Idem, IV. 685.

• Idem, IV. 695. « Idem, IV. 688.

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extend "to negotiable Notes amongst Merchants

and Traders." Belcher proceeded to issue a

proclamation warning people against receiving

the notes; and desired to have the legislature

pass an act outlawing these private issues/ as

Massachusetts had been induced to do.^ He as-

serted that complaints had been received^ that

"some of the Principle founders or undertakers

in the scheme have Refused to give credit to

those their own notes." This seemed to close the

incident\* During 1735, bills were burned to the

amount of ;£i023,^ so that the currency amounted

to about ;£22,4o8.

In 1736, a new assembly was called together, and

the old quarrel was resumed ; but the grounds of

dispute were slightly changed. The house of rep-

resentatives finally drew up an address to the gov-

ernor, ^ which the council pronounced " so full of

first Principles of Nature and void of those of

Grace" as to justify a refusal to join with the

lower house in any further acts of legislation.^

Governor Belcher called the answer of the repre-

sentatives indecent, and once more dissolved the

1 Papers, IV. 688, 697.

^In 1735, Massachusetts passed an act forbidding any person

to receive the bills issued by these New Hampshire merchants.

Acts of Mass., II. 743-744.

« Papers, IV. 697.

\*0n this private issue in New Hampshire see Belknap, II. no;

Felt, 91-92.

« Papers, IV. 690.

• Idem, IV. 707-708. ' Idem, IV. 71 1-712.

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assembly.^ During 1736, paper to the amount

of ;£iooo was retired,^ and the currency was

reduced to ;£2 1,408. Toward the close of the

year the price of silver fell from 27^. 6d, to 26s.

6d,,^ so that the resolute course of Governor

Belcher \* was resulting in a slight decrease of the

depreciation.

Early in 1737, a new assembly convened, and

the governor stated that it was now six years since

"any supply of money to the Treasury" had been

provided.^ The representatives then proceeded

to discuss the advisability of issuing ;£3000 to

replace worn and defaced bills.® Finally the gov-

ernor consented to the issue of £6soo of new bills,

in order to defray the accumulated debts of the

last five or six years.^ These debts included £970

of arrears on the salary of the governor, six years

arrears of salary due to the treasurer, six and one-

half years salary due to the clerk, and arrears due

to other persons for periods of similar length.

These new bills ® were to be redeemed by taxes ^ of

which ;^4000 were payable in 1741, and ;£2500^^

1 Papers, IV. 712-713. « It/em, IV. 704.

• Belknap, III. 225.

\*The council bore tbe brunt of tbe contest with the represen-

tatives, but it was probably reflecting the governor's wishes. This

often happened in colonial politics. See Greene, 87.

» Papers, IV. 716. ^ It/em, IV. 717, 822, 824,

f/dem, IV. 722-724, 732, 734.

• A copy of one of these bills may be found in Winsor, V. 174.

• Papers, IV. 724.

^In IdfM, V. 30, this issue appears as two issues, one of

£^poo and the other of ;f 2500. The date is erroneously stated 1 736.

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in 1742. Thus Belcher nominally adhered to the

letter of his instructions ; but the taxes seem to

have been made payable in hemp, flax, and bar

iron, as well as in paper, so that they would not

suffice to call in all of the bills emitted.

The assembly now succeeded in securing the

passage of a bill for the issue of ;^3000 in order

to exchange old and worn bills.^ Not content

with this, efforts were made, upon various pretexts,

to issue ;£500, ;^iooo, and then £iSoo more

paper; but all of these seem to have failed.\*

During 1737, bills to the amount of £g6s^ had

been burned ; so that the currency of the province

had received a net increase of £SSS7^ and now

equalled £26,g4S. In the following year, silver

rose to 28^. per ounce.^ In reviewmg this long

contest, Belknap justly concluded® that the real

reason why the representatives refused for so long

to supply the funds needed for the debts of the

province was "that they wanted emissions of paper

money, to be drawn in, at distant periods," which

was contrary to the instructions of the governor as

well as to his well-known principles.

In 1738, the legislature was not convened until

November. For once it seems that no propositions

1 Papers, IV. 732, 734. In 1738, it was reported that the £31000

had been exchanged and burned. Idemf V. 7.

a/fl5f/w. IV. 733, 734, 748, 750, 753, 829, 830, 831, 832.

«/fl5fw,IV. 718.

\* This is ;f 6500 minus ;f 963. The ;f 3000 issued for exchanging

old bills would have made no addition to the currency.

« Belknap, III. 225. « Idem, II. 109.

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were made for the issue of more bills of credit. ^

The governor called the attention of the assembly

to the fact that the officials of Boston had arrested

counterfeiters who had a plate for manufacturing

bills like those emitted by New Hampshire in

1737.2 Other indications of the activity of coun-

terfeiters were not wanting,^ and a law was passed\*

making the penalty for this offence "the pains

of death without benefit of clergy." The gov-

ernor and assembly received at this time a petition

from Rev. Hugh Adams, praying for relief. ^ He

stated that his nominal salary of ;^I04 was now

worth no more than £^6, on account of "the

altered prices of all necessaries for livelihood";

and asked that his stipend "be made good in full

value as really as in name," and that his parish be

required to make the payments punctually. Dur-

ing 1738, the records show that ;£4334 of cur-

rency was burned,^ so that the outstanding paper

now amounted to about ;^22,6ii.

During 1739, no additions were made to the

currency, and no bills were burned. In June of

1 See Papers, V. 1-9.

« Idem, V. 2. « Idem, V. 55-56.

^Identt 2, 4, 5, 8, 9. Cf. also Idem, V. 212. This law may be

found in Acts and Laws of New Hampshire, 1 71-172.

\*This petition is a most curious one. See Belknap, III. 350-

358-

8 Papers, V. 7. At the same time ;f 3000 of old bills, exchanged

for the new issue authorized in 1737, were burned before the

assembly. This did not affect the amount of money in circulation,

and is neglected here. .

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this year, the House of Commons requested the

Privy Council to demand from each of the colonies

a statement of the amounts of bills of credit issued

and redeemed since 1700.^ In accordance with

this resolution, the secretary of New Hampshire

prepared a statement concerning the bills of credit

emitted by that province.\* He said that some of

the records had been lost through the destruction

of his house by fire, and that the books of the

office in former times had not been kept " with a

due exactness." He stated that, as nearly as he

could ascertain, ;^56,384 of bills of credit had been

emitted by the province, of which ;^ 16,730^ were

issued upon loan. He estimated that all of these

bills had been retired except £io,S76 of the bills

issued for public expenses and "about" ;^2000

of those emitted upon loan; and stated that the

paper in circulation would all be retired by 1742.

This report will be found to differ very materi-

ally from the statements made in the preceding

pages, but the points of difference admit of a

partial explanation. According to the data given

by the writer, the emissions of new bills had

amounted to ;£44,8oo. The report of 1739 places

the total at ;£56,384; but this figure includes at

least some of the bills reissued,\* which are excluded

^ 23 Journals of House of Commons, 379. \* Papers, V. 45-46.

\* In this sum he included the jf 15,000 issued in 17 17, and the

£1730 loaned out in 17 14 and 1 7 16.

\*Thus the report of 1739 expressly includes the £173/0 loan,

which was made by reissuing bills paid into the treasury. We have

a statement of the province accounts for the years between 1722 and

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COLONIAL ISSUES (i 709-1 739)

from the writer's statement.^ The total amount of

currency reissued from 1709 to 1739 was £17,390.'^

Some of these bills must have been included,

besides the ;£i730 expressly mentioned, in the

total of j£s^f3^4 stated by the secretary. In the

second place, it will be remembered that the writer

placed the currency in circulation in 1739 at

£22,600;^ while the report of 1739 states that

the outstanding bills amounted to about ;^ 12, 5 76.

It is impossible to account for this difference. The

writer feels certain that his account of the bills

emitted and bills cancelled \* is complete, and that

1740, in wbich ;fio76 and ;f700 reissued in 1729 are included.

Papers, V. 30. The report of 1739 undoubtedly includes other

reissues besides the jf 1730 expressly mentioned.

^ This method of procedure is simplest and most satisfactory.

By subtracting the bills destroyed from the new issues, from which

reissues are rigidly excluded, one can readily ascertain the amount

of currency outstanding.

2 This includes ;f7276 issued in 1711, 1712, 1715, 1716, 1725,

and 1729 in order to pay province expenses, as explained in previ-

ous paragraphs. It includes ;£'i730 issued on loan in 1714 and

1716; jCSSH issued in 1722 to exchange old bills; and ;^3000

issued for the same purpose in 1737.

\* This is the difference between the ;f 44,800 of new emissions

and the ;£'22,i89 of such bills burned. The records show that

£499S of old bills was burned before 1729 in exchange for the

jf 5384 issued in 1 722, and that ;£'3000 was burned in 1 738 in ex-

change for the ;f3000 issued in 1737. But these transactions did

not alter the amount of currency in circulation, and therefore the

;^7998 of paper thus burned is not included in the amount subtracted

from the ;^44,8oo of new bills issued.

\* Thus the list of bills burned, which the writer secured from the

records, is more complete than one found in a report of the treas-

urer in 1740. See Papers, V. 23-33.

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the report of 1739 is based upon data that were

not wholly accurate, as the secretary of the prov-

ince admitted.^

In 1739, William Douglass wrote' that the

" Publick Bills " of New Hampshire " are so much

counterfeited they scarce obtain a Currency." For

this reason, and on account of the instructions of

the governor, he said that the " outstanding Bills

of publick Credit, some on Funds of Taxes, some

on Loan, do not exceed ;^ 12,000, gradually to be

cancelled by December 1742/' It is possible that

Douglass secured his information from the same

person who prepared the report of 1739 for the

English authorities. He tells us finally that the

ordinary expenses of government for the province

of New Hampshire were £iSoo New England

currency. This gives us the basis for an interest-

ing comparison. The £,22,600 of currency in cir-

culation amounted to fifteen times the annual

public expenditures, so that the practice of receiv-

ing the bills in payment of taxes could do but little

to maintain the credit of the paper money.

This closes what we may call the first chapter

of New Hampshire's experience with a paper cur-

rency. The bills of credit had depreciated so that

the price of silver had risen from Zs, to 29$". 6d, per

ounce ;^ but the amount in circulation had been

1 Moreover, since the interference of tbe English authorities was

feared, the author of the report of 1739 had every inducement to

place the outstanding bills at the smallest possible figure.

^ Douglass, Discourse, 302-303. \* Belknap, III. 225.

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diminished from ;£26, 777 in 1730 to ;£22,6ii in

1739, and the situation would improve if Belcher's

firm policy should be continued. Yet it must be

remembered that the results would have been much

worse than they actually were in 1739, if the legis-

lature had been able to consult its own wishes in

issuing paper. The policy of the house of repre-

sentatives had been manifested with sufficient

clearness, and the evident desire of this branch

of the legislature was to provide for all province

expenses by the emission of bills of credit that

were supposed to be redeemed by taxes after long

periods of ten or twelve years. Such a policy

would surely lead to bankruptcy unless restrained

by the governor and council, especially since, after

the bills had once been emitted, the assembly was

extremely disinclined to enforce the withdrawal of

the paper at the end of the periods contemplated

by the law.

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CHAPTER II

COLONIAL ISSUES (i 740-1 774)

In 1740, news reached the provuice that Eng-

land had declared war against Spain. Governor

Belcher called the assembly together, and urged

that Fort William and Mary should be strength-

ened.^ The house of representatives replied that

this could not be done ^ unless bills of credit could

be issued and made to run beyond the year

1742. In a few days the governor dissolved the

assembly, after it had become evident that he

could not secure the passage of such measures as

he desired.^ It was reported at this time that a

considerable part of the ;^ 15,000 loan of 171 7 was

still outstanding.\* In August, another session was

called, in order to provide for the equipment of

soldiers to take part in an expedition against the

West Indies. After some recrimination it was

voted to issue ;£2000 for this purpose, and the

bills were to be redeemed at the end of 1 742 by

taxes payable in paper money, flax, hemp, and bar

iron.^ During 1740, bills of credit were burned to

1 Papers, V. 1 1. • Idem, V. 28, 67.

2 Idem, v. 18-19. \* Idem, V. 28.

\* Idem, V. 52, 70, 71. Winsor gives a copy of one of these bills.

Winsor, v. 175. In Papers, V. 30, the bills issued in 1740 are

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COLONIAL ISSUES (i 740-1 774)

the amount of £1197^ so that the currency of

New Hampshire now stood at ;^23,4I4.2

The printed records for 1741 are exceedingly

meagre,^ but no mention is made of new emissions

of paper. Governor Belcher at this time sub-

mitted a message\* complaining that he had lost

;^3240 since 1730 through depreciation of the

bills in which his salary was paid. The representa-

tives replied ^ that the law fixing the salary made

no provision for changes in the value of the bills,

and that the governor would have to be content

with what he was then receiving.

Late in 1741, Governor Belcher had been suc-

ceeded by Benning Wentworth, who convened the

legislature in January, 1742.^ The new governor

congratulated ^ the assembly because " the Publick

faith has been so Religiously kept in regard to

past Emissions of paper money," and because

" all former Emissions will be complyed with hi

the yeare 1742." He also asked to have his salary

fixed in such a manner that " it may not be liable

placed at £2\*joo. This sum may include the £^QO mentioned in

Ideniy V. 72, 77. But, as the records do not show that this passed

the council, I shall omit it from the list of issues.

1 Papers, V. 17, 18, 23.

\* This allows for the £2000 emitted and the ;£ii97 cancelled in

1740. If the additional jf 700, mentioned in a previous note, was

actually emitted, then the currency would amount to jf 24,1 14.

• See Papers, V. 73-86.

\* Idem, V. 84-85. 6 Idem, V. 85.

• On Wentworth's relations with the legislature at this time, see

Belknap, II. 183-186. "^ Papers, V. 136.

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to vary or subject to depreciate by the uncertain

value of paper Currency/' which is an indication

that his faith in the good intentions of the assem-

bly was not over strong. The representatives pro-

ceeded to request that Wentworth should inform

them concerning the nature of his instructions on

the subject of issuing bills of credit,^ and soon had

under way a bill for emitting ;£6ooo.\* The gov-

ernor insisted that he could not assent to any such

measure unless ample provision was made for his

support ; ^ and a bargain was finally arranged

upon this basis, Wentworth receiving a present of

;£i25, and an annual grant of £2SO out of the

interest of the money that was soon issued upon

loan.\* As a result, we find him assuring the legis-

lature of his "hearty concurrence" in any meas-

ure that would "expedite" the emission of the loan

bank.\*

The net result of the bargain concluded in 1742

was the issue of £4720 of paper money in order to

pay public expenses,® and the emission of ;£25,ooo

upon loan.^ Both of these issues were to be of a

new tenor, and were declared equal to proclama-

tion money, i.e. silver at a rating of 6^. 8d. per

ounce. The bills of former emissions, now to be

known as old tenor, were to pass in all payments

1 Papers, V. 139, 141, 146. ^/dem, V. 151, 152.

^/dem, v. 142, 143, 145, 150. \*/fl5f/w, V. 152, 153, 155.

^Idem, V. 159, 212, 284, 619, 654.

'^ Idem^ v. 160, 161, 164, 208-213, 620, 654.

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at one-fourth of the value of the new money.^

Both of these acts received the approval of the

English authorities.\* The assembly desired to

authorize another issue of ;£i28o, but to this the

governor objected.^ During this year the bills

that were cancelled amounted\* to ;£i332 ; so that

;£2 2,082 of old tenor bills probably remained in

circulation. At the nominal rating of 4 for i,

these would be equivalent to £S5^o in bills of the

new tenor.

In 1743, the legislature of Massachusetts pro-

posed^ to the other New England colonies that

commissioners should be sent to Worcester to

devise a plan for common action in retiring the

outstanding bills of credit. We do not know,

however, whether such a conference ever occurred.

The ;£25,CKX) loan authorized in 1742 was not

placed in circulation until after the assent of the

home government was received in August of the

following year.\* Silver soon rose^ from a price

of 28^. in the middle of the former year to 32^. per

ounce at the close of the latter. When the legis-

lature met in May, 1743, the governor, being under

the impression that the taxes of the previous year

would call in all of the old emissions, urged that

" a nice Enquiry '\* be made as to the exact condi-

1 Papers, V. 143, 145, 157, 159, 615, 620.

\*/dem, v. 654. A copy of one of these bflls is giyen by

Bryant and Gay, III. 133. \*Felt, 115.

• Papers, V. 159, 616, 629. • Papers, V. 94, 654.

\*/dem, V. 161, 165, 181, 182. "^ Belknap, III. 225.

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tion of the old currency.^ He also said that pro-

vision had been made for " exchanging all money

of the old Tenor," if the taxes levied for sinking the

old bills should prove insufficient\* During 1743,

bills of credit were emitted to the amount of

;£i28o,^ and bills of old tenor amounting to £30S2

were burned;\* so that the currency of the prov-

ince must have equalled ;£ 19,030 in old tenor

and ;£3 1,000 in new.^

In 1744, renewed military expenses were in-

curred, and the assembly clamored loudly for

further emissions of paper, demanding at one time

;£ 10,000 in a single issue.® In order to persuade

the governor to consent to further emissions, a

joint committee of the house and council was

appointed ^ to draw up resolutions showing the

1 Papers, V. 652.

'This contradicts his first statement that the taxes for 1742

would call in all of the bills. He evidently doubted whether they

would suffice for that purpose.

•These were in two issues of £y)0 and ;f930. Papers, V. 209,

212, 670, 672. They seem to have been the ;f 1280 of blank bills

which the legislature wished to emit in 1743. /</<?;», V. 159, 616,

629. This made ;^6ooo new tenor issued for province expenses.

See Idem, VI. 223. ^Idem, V. 204.

•The jf 19,030 old tenor was equal to £47 $7 ^" "®^\* There-

fore the whole amount of currency was equivalent to ;f 35,75 7 in

new tenor bills, or 1119,190. The population of the province at

this time could not have been far from 20,000. In 1749 or 1750

Douglass estimated it at 24,000. Summary, II. 180.

» Papers, V. 239, 240, 248, 249, 720.

"^/dgm, v. 238-239. Wentworth seemed at one time to be

about to consent to the issue of bills in violation of his instructions.

Idem, v. 242-243.

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necessity for such action. In the end, Wentworth

consented to an act providing for the issue of

;^5500, on the condition that it should not go into

operation until the consent of the English author-

ities should be secured.^ The writer is unable to

find whether such consent was secured and the

bills actually emitted. Wentworth had positive

instructions not to consent to the emission of

more than ;^6oc>o of bills for the expenses of gov-

ernment,^ and brought these out in a controversy

in 1 745, during which there was no mention of a

violation of instructions in the previous year.

Moreover, no issue of ;^5500 is included in a state-

ment prepared by the assembly in 1753 concern-

ing the paper issued during the previous decade.^

For these reasons the proposed emission will not

be included in the writer's list of actual issues.

During 1744, bills of the new tenor to the

amount of ;£ii22 were burned by the assembly,\*

so that the new tenor money was reduced to

;£29,878.^ Of the old tenor bills, £7J\ was can-

celled in this year.® It will be well at this point

to complete the story of the bills of credit of the

old emissions. The reader will remember that

the writer's figures showed that ;£22,6ii of old

tenor money was in circulation in 1739, and

1 Papers, V. 236, 251, 252, 551, 716, 722.

\* Idem, v. 279.

«/</^^«, VI. 223-226. ^ Idem, V,2$o,

^This is on the assumption that no bills were issued in 1744.

•Papers, v. 250.

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;£i9,030 at the end of 1743; whereas the report

of 1739 placed the outstanding bills at only

;£i2,576, and Governor Wentworth thought that

all the bills would be brought in by the taxes of

the year 1742. The records show that, between

1744 and 1754, inclusive, bills of credit of the old

tenor were burned to the amount of ;£2i,30i.^

This is a complete demonstration that the writer

has not overstated the amount of old currency out-

standing in 1739 and 1743.

At the opening of 1745, the price of silver was

35^. per ounce, and it steadily increased as the

year progressed.^ Preparations for the expedition

against Louisbourg were now under way,^ and

New Hampshire was called upon to furnish her

quota of men. In order to raise funds, the repre-

sentatives proposed\* to issue ;^ 10,000 of bills which

should be redeemed by taxes in ten annual instal-

ments beginning in 1755. The council objected

that the bill did not appropriate all of the money

iThe list is as foUows : 1744, £\*ni ; 1746, £\z^\*j ; 1747,

£MI\ 1748, ;f 342; I753,;f6733; 1754. jfu^S^S- See Papers,

v. 250, 416, 526, 919, VL 221, 222, 250, 251, 252, 256, 257, 258,

259, 261. The writer's figures showed that jf 19,030 was outstand-

ing at the end of 1743. The fact that a larger sum than this was

actually burned between 1744 and 1754 may have been due to the

presence of counferfeit bills. If it is true that the issues of 1740

amounted to jf 2700, as stated in Papers, V. 30, instead of ;f 2000,

as given in the writer's statement, then ;^700 of thb excess of bills

cancelled is accounted for.

3 Belknap, III. 225.

« See Winsor, V. 410 ; Belknap, II. 198-200.

\* Papers, V. 276-277 ; Belknap, II. 201.

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issued to the purpose of defraying the charges of

the expedition, and that the taxes for redeeming

the bills ought not to be postponed longer than

1751.^ Then the governor sent the assembly the

text of one of his instructions,^ by which he was

ordered to consent to the emission of no more

than j£6ooo of bills of credit. Wentworth sought

counsel from Governor Shirley, of Massachusetts,

and was advised to consent to the issue of paper

without waiting for the royal approval, because

the great emergency would justify his conduct

in the eyes of the home government.^ After con-

siderable wrangling concerning the terms of the

bill,\* an act was finally passed^ providing that

;^i3,ocx) should be emitted, and that these bills

should be redeemed by taxes between 1751 and

1760.^

The Louisbourg expedition proved more expen-

sive than was expected, and more money was soon

needed. In July of the same year, ;£6cxx) was

issued.^ Then, in September, the house of rep-

resentatives voted to emit ;^ 12,000 more, but this

time the council refused to assent to such a meas-

ure.® In October, however, the governor consented

1 Papers, V. 278. « Idgm, V. 279. • Idem, V. 933.

\* Idem, V. 281, 282, 284-291.

\* Idem, v. 290, 291, 296, 742 ; Belknap, II. 201-202 ; Barstow,

165.

•In the address of 1753, the date of this issue is given as Febru-

ary, 1744. The year of 1744-45 is undoubtedly meant.

7 Papers, V. 334, 33^, 338» 348, 756, 757, 763, 767.

•/^m, v. 377, 380, 773.

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to an issue of ;^8ooo that was to be redeemed by

taxes in the four years following 1762.^ This last

act contained a pledge that, if England should

reimburse the colony for the expenses incurred

in the last undertaking, the money thus granted

should "be put into ye Treasury as a fund for

the immediate calling in and sinking said Bills."

The three emissions of 1745 aggregated £,27,000?

and the new tenor money now in circulation

amounted to ;^56,878 ; ^ so that the price of silver

rose to 37J. per ounce.\*

In 1746, new expeditions were projected.^ Early

in the spring it was proposed to issue ;£iSOO of

new bills which should be redeemed out of the

interest received on the ;£2 5,000 loan,^ but the

records do not show that such action was

authorized. In June it was decided to issue

;^6o,ooo for the purpose of defraying the ex-

penses of an expedition against Canada; and the

assembly pledged that at its next meeting provision

would be made for the redemption of these bills.^

This enormous emission more than doubled the

1 Papers, V. 383, 384, 387, 405, 776, 779.

\* These are all mentioned in the report of 1753, in Idem, VI.

223-226.

\*No bills of the new tenor were burned in this year. The

;£"56,878 now in circulation amounted to seven or eight dollars per

capita.

\* Belknap, III. 225.

^ Idem, II. 226-228.

\* Papers, V. 407, 412.

^ Idem, v. 432, 433, 813, 817, 821, VI. 224-225.

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quantity of new tenor money in circulation,^ and

the price of silver quickly jumped from 37^. to 5ar.

per ounce.\* In December, Governor Wentworth

was constrained to request the legislature to " make

ample satisfaction for the Deficiency " in his " sal-

lary" caused by "the Depreciating of the Paper

currency."^ Without much delay an act was

passed\* granting Wentworth ;^ 1000 for this pur-

pose, which shows that the governor's complacency

in allowing bills of credit to be issued secured for a

time the good will of the assembly.

The £60yOOO emitted in 1746 seems to have

been left without any provision for its redemption

except that the legislature promised ^ that, if Par-

liament should reimburse the province for its

expenses, the money thus granted should be

applied to sinking the bills. During 1747, the

currency continued to fall in value ; and the price

of silver rose from 53^. to 60$". per ounce,^ as the

full effects of the ;£6o,ooo emission began to be

felt. Thus silver had risen from 27^., at the be-

ginning of Wentworth\*s administration in 1742, to

60$". in the year 1747. In the face of this decline

of the credit of the paper, the legislature proceeded

to devise schemes for emitting more currency,^ and

1 No bills of the new tenor were burned this year, and the cur-

rency must have increased to ;f 116,878, or ^^5389,000, — more than

|i6 per capita. \* Ideniy V. 855.

» Belknap, III. 225. \* Idem, V. 435.

• Papers, V. 846. • Belknap, III. 225.

' Two projects were for emissions that should be redeemed solely

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finally authorized the governor to issue enough bills

to pay oflf the troops of the province.^

In 1742, when the bills of the new tenor were

emitted, an act was passed which provided that

the new currency should be accepted in all pay-

ments at 6s. 8d, for an ounce of silver, and that in

future years the value of the money should be

regulated by the assembly in the fall of each year.^

It was also enacted that a severe penalty should

be imposed upon any one who should ofifer to

receive the bills at a lower rating, or to pay a

premium for silver. In 1746, the judges of the

superior court seem to have rated the bills at less

than their nominal value, and in the following year

the house of representatives ordered all the courts

to adhere strictly to the rating established in 1742.^

Soon after this, an act was passed by the lower

house reaffirming the valuation established in

1742 for the bills of credit, but to this the council

objected.\* During 1747, only ;^2iio of new tenor

out of funds that might be granted by Parliament. A third con-

templated the issue of ;f 4000 redeemable by taxes to be levied in

1761 and 1762. Papers, V. 546, 551, 556, 560, 561, 901.

^Papers, V. 562, 563, 901. I am unable to determine whether

any such bills were issued. They are not mentioned in the

address of 1753. Idtm, VI. 223-226. Therefore I shall omit

them.

\*Idemf v. 620. The provisions of this act may be inferred from

the references in V. 501, 531, 554.

^ IdeMy v. 501-502. This was probably not accepted by the

council, otherwise the subsequent measures introduced into the

house would have been needless.

^Jditn, v. 531-532, 553-554.

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bills was burned,^ so that £1 14,778 of paper money

was still in circulation.\*

In 1 748, it appears that the affairs of the £1 5,000

loan authorized in 171 7 were not all settled, and

the committee in charge of this business was

ordered to hasten the adjustment of its accounts.^

Early in this year Governor Wentworth received

from Governor Shirley a communication\* stating

that Massachusetts was considering a plan for

retiring its outstanding bills of credit by means of

the funds that Parliament intended to grant the

colony in return for its expenditures during the

late war. Shirley desired to have a conference

appointed, by which all the New England prov-

inces might devise "one general method or

scheme"; but New Hampshire was not willing

to consider the subject of redeeming its currency

at this time.^

Douglass estimated the amount of New Hamp-

shire currency outstanding in 1748 at ;£4SO,ooo

"of old tenor value." ^ Since the ratio of old

tenor to new was four to one, this sum would

^ Papers, V. 525.

^This makes no allowance for the possible issue in 1747, con-

cerning which the author was unable to reach a definite conclusion.

« Papers, v. 585.

\*/.i5r»i, v. 565-569.

\*See Felt, 1 19-120.

' Summary, II. 528. Douglass converted the new tenor bills of

New Hampshire into old tenor in order to have a common basis

for comparison of New Hampshire's issues with those of other

colonies.

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equal ;^i 12,500 in new tenor. The writer's

figures show that ;^922 of new tenor bills were

cancelled during 1748,^ so that the currency of the

province was reduced to ;£ 11 3,8 56, an amount

which agrees very closely with the estimate given

by Douglass. This was a large enough figure to

justify the remark of Douglass\* that New Hamp-

shire was "always inclinable to a depreciating

fraudulent paper currency." In 1748, the price of

silver fluctuated from 54J. to 58^. per ounce.^

In 1749, the governor and assembly became

involved in a bitter dispute over the question of

the representation of certain towns and the elec-

tion of a speaker.\* This lasted for several years

and prevented all legislation ; so th^t the represent-

atives were " incapable of augmenting their paper

currency," to use the words of Douglass.^ By this

time the London agent of New Hampshire had

received about ;£30,ooo of money granted by

Parliament to reimburse the province for its

expenses in the late war. This money could not

be invested because the agent had no authority to

do so, and the province lost about £^QO sterling

of interest money during each year that the

quarrel lasted.® Since the price of silver now

1 Papers, V. 586. ^ Summary, II. 193.

8 Belknap, III. 225.

\*0n this quarrel see Papers, VI. 69-126; Belknap, II. 267-276;

Douglass, Summary, II. 35-38; Greene, 151.

^ Summary, II. 193.

•Belknap, II. 273. The governor, of course, attributed the

blame to the assembly. Papers, VI. 125.

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varied from 5df. to 60s, in old tenor money, the

bills of the new tenor must have exchanged for

silver at about iSs. in paper for one ounce of that

metal.^ At this rate of exchange, the money

granted by England would have been sufficient to

retire a little less than ;^90,ooo of the outstanding

new tenor bills,^ and the province could easily

have withdrawn the rest by its regular taxes.

In 1750, Massachusetts prohibited the further

circulation within her borders of any bills of credit

issued by New Hampshire, Connecticut, and

Rhode Island.^ In the following year Parliament

passed an act that forbade \* any of the New Eng-

land colonies to emit bills of credit and make them

a legal tender. At length, in September, 1752,

the dispute between the governor and assembly was

terminated, and the business of law-making was

resumed.\* It was decided ^ to have the reimburse-

ment money invested in public stocks, and to

apply the interest realized from this investment to

the redemption of the paper money.^ As no bills

had been retired since 1748, and the currency

amounted to ;^i 13,856, this could not be considered

a violent measure of contraction.

In 1753, the legislative mill was once more in

1 Old tenor was worth one-fourth of the new tenor.

\*The sterling rating of silver was $s. 2d,

• Felt, Massachusetts Currency, 122.

\* Stat, at Large, 24 George II. c. 53.

\* See Belknap, II. 276-277; Papers, VI. 127 et seq.

• Papers, VI. 143, 147.

^ Idem, VI. 227, 273.

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working order and ready for further experiments

with the paper currency. The imperial statute of

1751 had required that all outstanding bills should

be punctually retired at the times appointed in the

existing laws, and that none of them should be

reissued. This called forth a protest from the

legislature of the province, and an address to the

King was adopted upon the subject.^ In this

the members protested that the province was

unable to redeem its paper as rapidly as required

by Parliament, and petitioned that the time for

retiring the ;^6o,ooo issued for the Canada expe-

dition should be extended to 1766. They stated

also that the taxes laid for redeeming bills of

former emissions amounted to ;^38oo annually.

The assembly voted ^ at this session to reissue^

;^ 1 2, 500 of bills that were then in the treasury.

This money was to be used for defraying debts that

had been accumulating during the late interregnum,

and taxes were levied to call in the bills in five

annual instalments, beginning in January, 1754.

The new tenor bills cancelled in this year amounted

to only ;^I93,\* so that the currency stood at

;^i 13,663.

During 1754, the lower house of the legislature

seems to have desired to get £6000 of the bills

1 Papers, VI. 223-226.

2 Idenif VI. 210, 211, 212, 225.

\* The discussions on p. 211 seem to make it clear that this was

a reissue, although on p. 225 it seems to be mentioned as a new

issue. \* Idgm^ VI. 285.

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out of the treasury.^ The assembly proceeded to

draw upon the interest of the funds in London in

order to secure money to defray current expenses,^

but levied taxes that were intended to retire an

equivalent amount of currency. At this time the

bills of the ;£2 5,000 loan began to be cancelled,

and the whole amount of new tenor money burned

in the course of the year was ;£i4,i32.^ This left

;^99,53i of new tenor bills in circulation. The

province now reverted to the old practice of

receiving commodities in payment of taxes,\*

although its paper currency was large enough to

depreciate to only one-third of its original value.

For the year 1754 twenty different commodities

were made receivable at fixed ratings, and the

practice was continued for a dozen years longer.^

The confusion in which the paper money had

involved the province was increased by the unusual

activity displayed at this time by those persons who

were engaged in manufacturing counterfeit bills.^

In 175 s, counterfeiters who were operating with

New Hampshire money were arrested in Rhode

Island.

In January, 175 5, preparations were commenced

^ I assume that this was the purpose of the act for granting

;^6ooo mentioned in Papers, VI. 285.

» Idem, VI. 285, 334.

• Idem, VI. 270, 271, 272, 273, 274.

• See Idem, V. 622, 684, VI. 151, 274.

« Idem, VI. 378, 516, 591, 669-670, 712, 751, 870, VII. 39, 80,

107.

• Idem, VI. 14, 20, 28, 338, 35«-353» 372, 417, 453, 457, 641,

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by Shirley for an attack upon Crown Point,^ and

New Hampshire was called upon for her quota of

men.\* The imperial statute of 1751 had expressly

provided\* that paper money might be issued

"upon sudden and extraordinary emergencies of

government," and Governor Wentworth finally

assented to the emission of ;^40,ooo of new cur-

rency in order to meet the expense of this expedi-

tion.\* These Crown Point bills were issued at a

rating of fifteen shillings of paper ^ for one " Span-

ish miird Dollar," ® so that they were practically

a currency of a new tenor ; and they were to be

redeemed by taxes at the end of reasonably short

periods.^ Yet they depreciated so rapidly that

silver rose from 60s. to /or. per ounce in old tenor

currency during the course of the year,\* and the

1 See Winsor, V. 502.

2 Papers, V. 355-357-

\* Stat at Large, 24 George II. c. 54, sec. 4.

\* This was in two issues of ;f 30,000 and ;f 10,000. Papers, VI.

368, 376, 425. On these emissions see Belknap, II. 307; Hildreth,

II. 450; Winsor, V. 590-591. A copy of one of these bills may be

found in the work last mentioned.

\* This was 3J times the sterling value of the Spanish dollar,

which was worth but 4J. 6d. At this valuation an ounce of silver,

worth 5 J. 2d, sterling, would be rated at a little less than lys, ^d. in

new tenor.

® Thus the bill for five shillings, of which a copy is given by

Winsor, is declared equal to one-third of a dollar. Winsor, V. 590.

Cf. Belknap, II. 307.

7 Thus the ;f 10,000 issued in September was to be redeemed in

1760. Papers, VI. 425.

® Belknap, III. 225. When bills of exchange were drawn in this

year, the rate of exchange was at first ;f 3.25 Crown Point money

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pay of the soldiers had to be raised about eleven

per cent^ The law of 1751 had absolutely for-

bidden any province to make bills of credit a legal

tender ; ^ and, therefore, the Crown Point bills were

made receivable merely at the treasury of the

province.^

Naturally enough, no old currency was cancelled

during 1755; indeed, the records show that no

more bills were burned until 1758. Governor

Wentworth found that the paper money was use-

less for expenses incurred outside the province,\*

and was hard pressed to secure sterling money for

such purposes. From time to time the assembly

found itself in need of an exportable currency, and

drew upon the funds invested in London. Thus

during 1755 and 1756, bills of exchange were drawn

for ;£295o sterling; but in each case provision

was made for retiring what was deemed an equiva-

lent amount of provincial currency.^ In 1756,

Wentworth arranged^ to borrow ;£3000 sterling

from Governor Shirley of Massachusetts. Late in

175 s, word was received from the governor of

Connecticut that that province had outlawed all

for £1 sterling; and later in the year it rose to £^.ys ^o' £^ step

ling. Papers, VI. 376, 428.

1 Belknap, II. 307. The pay was raised from ;f 13.10 to £i^.

\* Stat, at Large, 24 George II. c. 54, sec. 7.

• See copy of bill given by Winsor.

^ See his message of 1756. Papers, VI. 487.

^/dem, VI. 376, 385, 410, 419, 428, 434, 435, 486. Besides

these sums, ;f 300 was loaned at interest Idem, VI. 339.

•/^/w, VI. 487.

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bills issued by New Hampshire, and had prohib^

ited them from being received in any payments

whatsoever.^

In 1756, renewed efforts to raise troops were

called for, and jC3S,7SO of new bills was printed

from the plates used in the previous year.^ These

were to be redeemed by taxes levied in 1759 and

1761 ; and it was pledged that any money that

should be granted by the King to reimburse the

province for its expenses should be an additional

fund for sinking the bills.\* The new money was

to have the same nominal value as that issued the

previous year, but silver continued to rise in price

until it reached lOOi^. per ounce.\* As a result,

the pay of the soldiers had to be raised from fifteen

to eighteen pounds,^ and the governor requested

the assembly to make good the depreciation of his

salary.^

In 1757, more men had to be raised; and the

governor, although fearing ^ " bad consequences,"

1 Papers, V. 446.

^Idgm, VI. 503, 516, 520. This was in two issues of £310,000

and ;£^5750. The latter was made from blank bills printed the

previous year. Idem, VI. 516, 531.

\* The text of this act may be found in Papers, VI. 506-508.

^ Belknap, III. 225. Since the Crown Point money was given

a nominal rating of ^^ times the value of sterling, the nominal

value of silver in bills of the new tenor was nearly 17^. 3d, In

bills of old tenor the price of silver would be four times as much,

or 69J. per ounce. The difference between 69 and lOO shillings

represents the depreciation of the new money.

6 Belknap, II. 307. « Papers, VI. 543.

■^ See his message. Id^m, VI. 565.

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COLONIAL ISSUES (1740-1774)

felt obliged to consent to an issue of ;^20,ooo of

additional currency.^ This was to be retired by

taxes payable in 1761 and 1762, and any reimburse-

ment money that might be received from the King

was pledged as a second fund for its redemption.

None of the ;^99,53i of new tenor bills outstanding

in 1754 had been retired, and £9S,7SO of new

currency had been issued in 1755, 1756, and 1757.

The province had, therefore, about ;^i95,28o of

currency in 1757, while its population probably

did not exceed 55,000.^ The price of silver, there-

fore, increased to nor., and this made it necessary

to raise the pay of the troops for a third time.\*

In 1758, ;^20,5oo of additional paper was

emitted,\* and bills to the amount of ;^3536 were

burned.^ The result was a net increase of ;^ 16,964

in the currency of the province, while silver rose

to 1205. per ounce.® In 1756, a second grant of

money, amounting to ;£8ooo sterling, had been

received from England and brought to this coun-

try ;^ while in 1758 it was decided to draw upon

the funds in London for ;^2000.\* The sum thus

drawn was to be made good by a tax of ;^i2,5oo,

payable in the Canada bills issued in 1746, which is

1 Papers, VI. 569-571.

\*For 1754, Mr. Bancroft estimated the population at 50,000

whites and a few blacks. Bancroft, II. 389-391.

• Belknap, II. 307, III. 225.

• Papers, VI. 663, 665. The printed records give no information

concerning the character of this issue.

« Idem, VI. 640, 652. "^ Papers, VI. 543-545» 57^-579-

• Belknap, III. 225. « Idem, VI. 643-645, 654.

«5I

MONETARY HKTORY

a recognition of a depreciation of more than six to

one for the Canada money.^ In one of the gov-

ernor's messages of this year, the attention of the

legislature is directed to the old ;^i5,cxx> loan of

1 71 7. Wentworth urged that an act should be

passed "to oblige delinquent borrowers of the

;^ 1 5,000 Loan to make speedy payment of the

sums from them respectively due,'\* \* which showed

that fifty years had not proved long enough to

settle the accounts of this enterprise undertaken

by the province.

In 1759, the province issued ;£i 3,000, which

was declared to be of sterling value, and was to

be redeemed partly by bills of exchange drawn

upon the funds in England and partly by taxes

levied in 1762 and 1763;\* and it is possible that

further emissions were authorized during the course

of this year.\* These new bills differed from pre-

vious issues in that they were emitted at sterling

rates and supported by sterling funds.^ The prov-

ince now had a rich variety of different kinds of

money. In 1760, the assembly made another issue

1 These bills were issued at proclamatioii rates.

•Papers, v. 691.

'The amount authorized was jfiy/xxx Idem^ VI. 712. But

only ;f 13,000 was issued. Idem, VI. 774.

^Idem, VI. 717, 726. The editor of the Provincial Papers

saw fit to omit large parts of the Journals, so that it is impossible to

determine whether these were new issues or reissues of old bills.

See editor's note in VI. 320.

^Note the plan outlined in resolutions of the assembly in 1758.

Idem, VI. 679.

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COLONIAL ISSUES (1740-1774)

of £iifOOO of sterling bills, bearing five per cent

interest, and redeemable from the proceeds of

taxes levied in 1763, 1764, and 1765.^ In 1761,

the heavy military expenses of the colony came to

an end with the emission of ;^20,ooo, probably in

sterling bills such as had been issued in the two

preceding years.\*

Thus New Hampshire, in a period of seven

years, had issued no less than ;^i 16,250 of new

tenor money,\* and at least ;^48,ooo of sterling

bills.\* We have little information concerning

these sterling issues. But they seem to have

been hoarded to such an extent that they entered

into circulation less than the other bills,^ and they

were retired within a few years.® This fact, and

the uncertainty whether the printed records con-

tain a full account of the amounts of paper burned

by the assembly, will make it impossible to form

1 Papers, VI. 735, 744, 745, 752, 756, VII. 38.

\* Idem, VI. 779,786.

•;f40,ooo in 1755; ;f35»750 i^ 1756; ;f 20,000 in 1757; and

^20,500 in 1758.

\*The writer's figures are ;f 13,000 issued in 1759, ;f 15,000 issued

in 1760, and ;f 20,000 issued in 1761. It is possible, as stated in a

previous note, that there were two other issues or reissues in 1759,

concerning which the records offer no certain information.

^ Idem, VII. 65. The issue of 1760 certainly bore interest.

Since all these issues were secured in whole or in part by sterling

funds, they would naturally be hoarded to a considerable extent.

®Thus in 1760 the sterling bills were made receivable for prov-

ince rates. Idem^Nl, 733. By 1764 they had become so scarce

that other bills were made receivable for taxes that had been pay-

able originally in sterling bills. Idem, VII. 38.

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/

MONETARY HISTORY

any very definite conclusions concerning the num-

ber of bills circulating in this or in subsequent

years. Belknap's tables show that the price of

silver ranged from I2af. to I4cxr. per ounce in old

tenor money between 1761 and 1763.^ In 1760,

Governor Wentworth stated that a silver dollar

exchanged for six pounds of the old tenor money ,^

a figure which agrees exactly with Belknap's quo-

tations for the ounce of silver for that year. In

1763, the assembly granted the governor ;^ 12 50 of

new tenor money, which was declared to be equiva-

lent to £,2QO sterling.^ This is a rate of £,6\ new

tenor for £,1 sterling, and would indicate a rate of

£y2^ old tenor for £,\ sterling.\*

But the bills were no longer a legal tender, and

their ability to do harm was infinitely diminished.

In 1762, the legislature authorized the issue of

;£20,ooo of sterling bills,\*\* of which ;^ 10,000 was

to be used for sinking the Louisbourg and Canada

bills emitted in 1745 and 1746. These old issues

had aggregated ;£87,ooo, and had sunk to less

than one-sixth the value of sterling,^ so that the

;£i 0,000 of sterling money would probably suffice

1 History, III. 225. « Papers, VI. 744. • Idem, VI. 878.

.\*This would give a price of about 129J. old tenor for an ounce

of silver.

^ Idem, VI. 844. Of this amount, ;f 20,000 was not issued until

1763. Idem, VI. 869. Of the entire issue, ;f 10,000 was said to be

outstanding in 1765, when bills of exchange were drawn in order to

redeem it. Idem, VII. 65.

^ Idem, VI. 655. They were made payable for a tax in 1758

at a rate of 6} for I.

COLONIAL ISSUES (1740-17 74)

for exchanging all that now remained outstanding.

In 1763, the records show that currency of various

issues to the amount of ^^63,5 18 was burned.^

By 1764, the assembly seems to have learned

something from the experience of the last few

years, for we find ^ it expressing the opinion that

" another Emission of a paper currency would . . .

be fruitless and attended with mischievous conse-

quences well known to every considering person

the least acquainted with the circumstances of the

Province." In a message written in 1 765, Governor

Wentworth informed the legislature^ that all the

paper money then outstanding must be retired

"after the close of the year 1767"; and said that

the province had incurred dishonor in the past by

unreasonable neglect of its obligations. The as-

sembly expressed the hope "soon to see an End

of our Paper Currency."\* Another sum of money

recently received from England was devoted to the

redemption of bills of credit;^ and a balance of

;£i 2,000, remaining in London to the credit of the

province, was devoted to the same purpose.^ It

was enacted, furthermore, that in the future no

bills of credit should be reissued when once

received at the treasury.^ By the aid of the

funds in England and the province taxes,^ large

1 Papers, VI. 859, 860. Some of these amounts were sterling bills.

\* Idem, VII. 30. » /dgm, VII. 85. \* fi/em, VII. 94.

» Idem, VII. 53. • lifem, VII. 52, 65. ' /dgm, VII. 58.

"Statistics of taxes imposed between 1753 and 1766 may be

found in ColL of N. H. Hist. Soc, III. 152.

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sums of paper were retired in 1764, 1766, and

1768.1

Mr. Belknap tells us that, at length, "sterling

money became the standard of all contracts";

while the paper passed " as a currency," its value

being regulated "by the price of silver and the

course of exchange." \* The records enable us to

describe some of the details of this process, which

gradually resulted from the action of Parliament

in preventing the issue of more legal tender paper.

In 1765, the legislature passed an act^ "for ascer-

taining the value of coined silver and Gold," by

which the dollar was rated at six and the guinea at

twenty-eight shillings. These were the same rates

that had been established in Massachusetts in 1750.

The law of 1765 seems to have been disallowed by

the home government,\* but the rating of six shil-

lings for a Spanish dollar continued to prevail in

the province.^ After the passage of this act, the

outstanding paper was made payable for taxes at

its " present value." ®

1 Papers, VII. 32, 117, 150, 193. These sums amount to ;^4i,9o8

nominal value, but some of them are expressed in sterling and

others in new tenor di^ominations. Hence the total just stated

does not represent the true value.

« Belknap, II. 307-308.

» Papers, VII. 77-78.

^ Idem J VII. 281. The assembly proceeded, nevertheless, to

grant supplies and levy taxes "according to the present current

value of money Passing among us." Idem, VII. 282.

^ Belknap says that a dollar was rated at six shillings from 1765-

1776. History, III. 225. Note especially Papers, VII. 282-283.

•/^^/«,VIL 80, 108.

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COLONIAL ISSUES (1740^1774)

But the provision made for redeeming the paper

in 1768 did not prove sufficient to retire all of the

currency. Accordingly the treasurer was author-

ized ^ to receive in public dues " any further Sum

of said Bills that shall be offered," and the gov-

ernor urged that another " Fund " should be estab-

lished to redeem " the paper Bills of Credit of this

Province that are yet passing as a currency solely

upon the Reliance placed on the good faith of the

Province, altho\* they have some time since expired

by law." 2 Early in 1770, ;£2092 of currency re-

ceived at the treasury was burned in the presence

of the legislature.\* In December of the same year,

the governor urged the assembly to consider ways

and means of retiring the notes still outstand-

ing ; \* and finally the treasurer of the province was

authorized to borrow the funds needed to redeem

the paper that still remained in the hands of citi-

zens.^ In 1 791, Belknap wrote :® "The year 1771

was also distinguished by the abolition of paper

currency. Silver and gold had been gradually

introduced, and the paper had for several years

been called in for taxes. The time limited for its

existence being now come, it totally disappeared."

In subsequent years small amounts of old bills

were presented at the treasury.^

1 Papers, VII. 152. « Idem, VII. 187.

» Idem, VII. 235-241. In 1769, £()O0O of old tenor bills had

been presented at the treasury. Idintt VII. 215-216.

\* Idem, VII. 260. « Idem, VII. 263, 265.

• History, II. 355. "^ Papers, VII. 302, 319, 351,

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MONETARY HISTORY

After New Hampshire ceased to issue bills of

credit, the use of treasury notes was introduced, as

had been the case in Massachusetts some years

earlier.^ We have seen that the sterling bills

issued in 1760 were really treasury notes, bearing

interest at five per cent and redeemable out of the

proceeds of taxes levied within a period of three or

four years. Eight years later it was proposed ^ to

authorize the treasurer " to issue Notes upon Inter-

est to be Redeemed by the Province"; and this

was actually done in 1770,^ when such notes were

issued in order to sink the paper then outstanding.

In 1 77 1, the treasurer was instructed to borrow

£iSoo for the use of the province,\* probably in a

similar manner. Later in the same year the gov-

ernor informed the assembly that a grant of

£6oog sterling had been received from Parlia-

ment in reimbursement of expenses incurred in

the late war, and urged that this money be used

for meeting the deficiencies of former years.^ This

advice seems to have been followed by the passage

of an act ® which provided for the redemption of

treasury notes out of the proceeds of bills of

exchange drawn upon the funds in London. In

1774, other notes then outstanding were redeemed

with money that was in the treasury.^

1 See Hutchinson's account of the introduction of treasury notes

into Massachusetts. History, III. 9-10.

3 Papers, VH. 156. » Id^, VII. 288.

» /tfem, VII. 263, 265. • Idem, VII. 296.

\* Idgm, VII. 283. f Idem, VII. 363.

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COLONIAL ISSUES (i 740-1 774)

The experience of New Hampshire with her

colonial bills of credit resembles so closely that of

the other colonies, that it is unnecessary to present

a summary of the results that flowed from these

experiments with paper money. One thing, how-

ever, must impress the reader; and that is that,

however disastrous the effects of New Hampshire's

paper currency, the outcome would have been

infinitely worse if the inflationists had not been

controlled to a considerable extent by the royal

governors and the statute of 175 1. If these influ-

ences had not been felt, the issues of paper would

have been swollen to a veritable deluge. Thanks

to external pressure, the colony was finally re-

stored to a specie basis, and the amount- of paper

circulating in 1774 had probably become small.

In 1775, therefore, the standard of value in New

Hampshire was the Spanish dollar, at a rating of

six shillings; and ^^133 of the currency of the

province was equivalent to ^^loo sterling.^

^ Thus, in 1772, the legislature rated ;£^I40 provincial currency

equal to 100 guineas. With the guinea rated at 21 shillings, as was

the case after I7i7» this gives an exchange of £133\*33 for ;f 100

sterling.

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CHAPTER III

REVOLUTIONARY ISSUES

During the twelve years of peace and security

that followed the close of the French and Indian

War, New Hampshire enjoyed greater prosperity

than had ever before fallen to her lot; and the

population of the province increased until it

amounted to about 82,000 souls in the year 1775.^

The abolition of paper money had made it possible

to introduce some degree of order into the finances

of the colony, but it cannot be said that New Hamp-

shire was prepared for the struggle that was now

before her.

The annual expenses of the colony did not ex-

ceed ;£3500 sterling,^ and taxation was proportion-

ately light. The principal source of income was a

tax on polls and estates,\* which had existed in the

province from the earliest times\* and amounted in

1 Belknap, III. 234.

2 Adam Smith states it at this figure. Smith, W. of N., II. 154.

In 1796, the expenses of the state were only $28,600, or ;f 6440. In

1730, the ordinary expenses were stated at ;f 1500 for the regular

charges of government and ;f 500 for contingencies. Coll. of N. H.

Hist. Soc, I. 230.

• For the methods of assessment see Acts of New Hampshire,

29, 121, 172, 177, 178. The proportions of the various townships

in a province tax in 1773 may be found in Papers, VII. 326-329.

\* Note Papers, I. 448.

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practice to an assessment of polls, real estate, and

live stock.^ Duties on imports ^ had met with little

favor in the colonial period of New Hampshire's

history,^ and the only important branch of revenue

besides the property and poll taxes was an excise

on all liquors sold in the province.\* In 1772, this

was farmed out for ;£934.^ It seems always to

have been subject to a great amount of evasion.^

Powder, or tonnage, duties were imposed upon

foreign ships that entered the ports of the prov-

ince,^ but the receipts from this source were in-

significant.^

Thus the burden of taxation in New Hampshire

was extremely light, and the province had no

revenue system^ adequate to the necessities of a

iThus, in 1796, polls were rated at ;f 11,525, real estate at

;f 15,531, live stock at ;f 12,882, and all other items at £S77\* State

Papers, Finance, I. 442.

2 The excise on all liquors sold in the province included all

imported liquors, and may have been referred to sometimes as

an impost. See Papers, VII. 129.

• Thusj in 1 716, the governor had recommended an impost,

" which every Government in ye world doth but we." Papers, III.

649. But the assembly replied that public charges could be met

most conveniently by a tax on persons and estates. Idem, III. 651.

• For the laws imposing the excise see Acts of N. H., 168-170.

« Papers, VII. 236, 247, 261, 303.

^Idem, III. 449, 554 ; VII. 139.

7 Acts of N. H., 64. 8 Hill, 18-23.

• With some allowances, the following passage, written in 1 730,

gives a correct picture of the provincial finances at the outbreak

of the Revolution: \*\*The revenue arising within this province is

three hundred ninety and six pounds, by excise, which is appro-

priated towards the Governor's salary, and about three or four

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MONETARY HISTORY

protracted war. Such an emergency was certain

to be made the occasion for renewed issues of

paper money, especially since the restraining in-

fluence of the royal governor was now removed.

Belknap states correctly the cause of the difficulties

experienced by the state in the struggle for inde-

pendence when he says : ^ " The war in which we

became involved with Britain, found us not des-

titute of resources, but unskilled in the art of

finance."

When the question of financial methods was

raised in 1775, the Provincial Congress resolved

that the war could not be carried on without paper

money; and wrote to the Continental Congress

urging that " some general plan for bills of credit "

should be adopted, or that the separate colonies

should adopt some common scheme for regulating

their own issues.^ Upon June 9,^ before any con-

tinental bills had been emitted. New Hampshire

decided to issue ;£ 10,050 of treasury notes. These

were not made a legal tender, but were receivable

at the provincial treasury. They were to be re-

deemed by taxes in 1776, 1777, and 1778. Before

the year closed, ;£30,ooo of additional notes was

emitted upon a similar plan.\* Some of the bills

barrels of gun-powder, from the shipping, which is spent at the

fort. There is no other revenue but by tax on polls and estates."

Coll. of N. H. Hist. Soc., I. 230.

1 Belknap, II. 425. Cf. also pp. 425-434.

3 Papers, VII. 481, 483.

^Idern, VII. 5 10 ; Belknap, II. 396.

\* Papers, VII. 549, 638 ; Belknap, II. 396.

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thus issued bore interest,^ but this provision was

soon repealed.^ Persons who should counterfeit

the paper were to be punished as "Enemies to

their Country." »

Upon the whole, during this year, the province

seemed to desire to pursue a fairly conservative

course respecting its paper issues. These treasury

notes might not have depreciated if the war had

proved to be of short duration, and the legislature

did not at this time perpetrate wholesale robbery

under the guise of a tender law. The regular

province tax of ;£4000 was levied as usual,\* and

it was undoubtedly intended to collect punctually

the taxes levied in order to redeem the paper. New

Hampshire, unlike some of the other colonies, did

not expect that the war could be carried on by the

issue of paper money unsupported by taxation.

Bartlett and Langdon, the delegates of the prov-

ince to the Continental Congress, warned their

constituents that ruin would result from " emitting

paper on every occasion " ; and regretted the course

of the legislature in making the third emission of

treasury notes.^ In December, New Hampshire

received from Congress a grant of $40,000 of con-

tinental money.®

In the opening days of 1776, a committee was

appointed to devise " a Plan for sinking the Colony

Debt," ^ but before the end of January it was de-

1 Papers, VII. 510, 550. \* Idem^ VII. 551.

2 Idem, VII. 575. \* Idem, VII. 609.

^Idem, VII. 615, 631. • Idem, VII. 681. ^ jr^em, VII. 706.

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MONETARY HISTORY

cided to make a new issue of ;£20,(X)8.^ These

bills were declared a lawful tender " at the Treas-

ury and all other payments," and the taxes levied

for their redemption were not to be collected until

1783 and the three subsequent years. It is worth

while to call attention to the fact that the long

postponement of the time of redemption and the

first tender act came at the same time, and that

this was just the period when the first difficulties

were being encountered in maintaining the credit

of the paper currency in most of the states.^

Later in the year, the legislature made an attempt®

to secure gold and silver in exchange for its notes.

By June, it became necessary to pass more strin-

gent laws against counterfeiting.\*

During the month last mentioned, $io,(XX) was

received from the federal treasury ; ^ but the prov-

ince voted to issue ;£3400 of fractional currency,^

which was made a tender in all payments. At

about the same time, the continental bills of credit

and those issued by other colonies were made a

legal tender,^ and a refusal of the paper currency

was made punishable by the forfeiture of the entire

debt.^ Thus, as Belknap says,® the "fraudulent

1 Papers, VIII. 51, 60, 61.

2 See Sumner, Financier, I. 48 et seq, 'Papers, VIII. 135, 176.

^Idem, VIII. 144, 184. For other references on counterfeiting

see VII. 551; VIII. 404»494» S^S\* 5^6, 532, 54i» 54^, 554, 55^, S^a\*

5^, 599f 600, 603, 694, 724. » Idem, VIII. 168.

• Idem, VIII. 169. ' Idem, VIII. 144.

B This is Belknap's statement. History, II. 426.

• Idem, II. 427,

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debtor took advantage of the law to cheat his

creditor, under colour of justice " ; while hawkers

" who crept from obscurity and assumed the name

of merchants, could even increase their substance."

In July, the legislature of the newly formed

state of New Hampshire issued £20,160 of new

bills of credit ; ^ and two months later a state tax

of ;£25oo was levied upon polls and estates.\*

Thus, at the end of 1776, the state had emitted

;^83,6i8 of paper currency,^ practically all of

which was in circulation;\* while the volume of

continental money had swollen to $25,000,000.^

When the next year opened, this mass of paper

had depreciated to about two-thirds of its nominal

value.®

Price conventions and price regulations were

now in order, and New Hampshire was repre-

sented at a conference of the New England states,

which was held at Providence from December 25,

1776, to January 2, 1777.^ By this convention,

the rising prices of labor and commodities were

attributed to avarice, and a price tariff for all New

1 Papers, VIII. 190; Belknap, II. 467.

« Papers, VIII. 331. Cf. pp. I43-I44-

• These figures of the writer agree exactly with a statement that

may be found in Idem, VIII. 588.

\* In January, 1776, the legislature voted to bum £1 128 of interest-

bearing treasury notes, but the records do not enable us to deter-

mine whether this was actually done. Idem, VIII. 56.

» Cf. Bullock, 130. « Idem, 133.

' Papers, VIII. 406-407; Sumner, Financier, I. 55; Bullock,

127; Hildreth, III. 181.

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England was prepared. Soon after this, New

Hampshire established a legal scale of prices;^

and, later on, laws were enacted against " monopoly

and extortion."\* Congress now asked the states

to issue no more paper, and to withdraw the bills

already issued.^ New Hampshire voted to call

in "all the Bills of Credit issued in 1775 " ;\* and,

in September, reorganized her system of taxation.^

It was decided also to ask from Congress a loan

sufficient to enable the state to withdraw all the

bills issued in 1775 and 1776.®

But in January, 1777, it was considered neces-

sary to authorize the treasurer to issue interest-

bearing notes to the amount of ;£30,ooo,^ so that

the currency was increased to about ;£iii,8cx).®

The depreciation of the paper continued until, by

the close of the year, the currency was worth but

one-third of its nominal value,^ and this, too, despite

the fact that other price conventions were con-

vened to remedy the evil.^^ In November, a tax

1 Papers, VIII. 455-456, 471. ^ Belknap, II. 427-428.

• Journals of Congress, Feb. 15, Nov. 22, 1777.

• Papers, VIII. 587. » Idem, VIII. 685.

• Idem, VIII. 588, 589. 7 Idem, VIII. 454, 465, 588.

' The total issues now amounted to ;f 113,568. But £l^AA of

the bills had been burned in April, 1777, so that no more than

;^i 1 1, 824 could have been in circulation. Idem, Will, 537. If

the £ii2S, mentioned in a previous note, was actually burned in

1776, the amount of outstanding bills would be slightly less than

;fiii,8oo.

» See official rates adopted in 1780. Idem, VIII. 858. Cf.

Bullock, 133.

10 Sumner, Financier, I. 60, 65; Hildrcth, III. 227, 232.

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REVOLUTIONARY ISSUES

of £^o,ooo, payable " in all bills of this State/\*

was levied ; and it was resolved that the \*\* paper

bills shall not be legal tender for debts after the

first day of March next ensuing."^ Finally, on

November 22, Congress made its first requisition

upon the states, and called upon New Hampshire

for $200,cxx>.2

At the opening of 1778, the paper money had

sunk to rather less than one-third of its nominal

value ;^ but, in March, the legislature voted to

issue ;£40,ooo of the treasurer's notes, payable in

four years with interest at six per cent.\* At the

same time a tax of jQSo^ooo was levied,^ and

;£6o,0O0 of this amount was appropriated to the

payment of the requisition made by Congress in

the previous year. But the sum thus set aside for

federal purposes could not have been collected

at the appointed time, for New Hampshire made

its first payment into the federal treasiu'y at the

very end of 1779.^ At the close of 1778, the state

must have had about ;£ 15 1,000 of its paper out-

standing ; ^ and the depreciation of the paper cur-

rency had reduced its value to eleven or twelve

cents on the dollar.^

1 Papers, VIII. 722, 723, 724.

\* Idem, VIII. 728-729; Journals of Congress, Nov. 22, 1777.

» Papers, VIII. 858; BuUock, 133. \* Papers, VIII. 779.

\* Identt VIII. 778-779. • State Papers, Finance, I. 59.

^ This includes the ;f 40,000 of treasurer's notes authorized in

March. During 1778, some bills were burned, but the printed rec-

ords do not enable us to determine the amount. Papers, VIII. 762.

8 Idem, VIIL 858; Bullock, 133.

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During 1779, the treasurer was authorized to

borrow ;£70,ooo for the use of the state.^ The

writer has been unable to ascertain the character

of the obligations issued at this time,^ but it seems

probable that the legislature was attempting to

find some financial device \* that would prove less

dangerous than the emission of more bills of credit.

In 1780, a loan of ;£300,ooo, at interest, was au-

thorized.\* From what we know of the manner in

which the interest-bearing certificates of the fed-

eral government found their way into circulation,\*

it seems certain that New Hampshire's currency

must have been increased by the obligations issued

in 1779 ^^d ^780.

Congress made three requisitions for money

during 1779.\* In March, New Hampshire levied

a tax for ;£250,cx)0 ; ^ and, in the following Decem-

ber and January, the state paid into the federal

treasury $600,000 of continental currency, for

which a credit of ^^54,5 12 in specie was received.®

1 Papers, VIII. 823, 842.

'The writer has had access only to the Provincial and State

Papers.

» The first of these two loans was to be contracted for one year,

and was to bear interest

\* Papers, VIII. 868. Since the currency was then worth about

one cent on the dollar, this sum amounted to no more than ;f 30cx>

in specie.

^ E^.t note the manner in which the loan office certificates found

their way into circulation. Bolles, I. 260-261.

•Journals of Congress, Jan. 2, May 21, Oct. 6, 1779; Bullock,

158. "^ Papers, VUI. 823,

• State Papers, Finance, I. 59.

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In March, 1780, $scx),cxx) more of the paper was

paid in by New Hampshire, and an additional

credit of jii2,5(X) was obtained.^ Thus, on these

early requisitions, the state furnished the federal

government with $i,300,cxx) of depreciated paper,

which was rated at $123,948 in specie.^

In 1780, when Congress passed the 40 for i

act,^ New Hampshire voted to redeem its quota

of the continental bills and to repeal its tender

acts.\* Within eighteen months the state paid into

the federal treasury $5,2CX),ooo of continental

paper, the whole amount of its quota, for which a

credit of jii30,(XX) in specie was received.^ Ham-

ilton's report of 1790 leads us to infer that the

state issued $145,000 of bills of the new tenor, in

place of the old money turned over to the federal

authorities.® In April, 1780, a table of deprecia-

^ State Papers, Finance, I. 59.

\* This was more than its real value, since the tables of deprecia-

tion established by Congress did not tell the whole truth. Bullock,

132.

\* Journals of Congress, March 18, 1780; Finances of the United

States, 136-138. This act called upon the states for taxes to re-

deem the continental money, which was declared to be worth only

one-fortieth of its face value. When the old money was paid in,

bills of a new tenor were to be issued to an amount not exceeding

one-twentieth of the face value of the old emissions, \*\* on the funds

of individual states." Six-tenths of the new bills were to be at the

disposal of the states, and the rest were to be \*< subject to the orders

ofthe United States."

\* Papers, VIII. 856.

•State Papers, Finance, I. 58.

\* This states that the bills of the new tenor issued on the funds

of New Hampshire, and appropriated to the use of the United

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tion was adopted for use in the settlement of army

accounts.^

The old currency now disappeared from circula-

tion. In August, 1 78 1, the state imposed a tax

of |! 1 00,000, payable in "bills of the new emis-

sion."\* A month later an act was passed^ "for

making Gold and Silver a Tender for all Debts "

and for settling the depreciation of the paper cur-

rency. This rated the dollar at six shillings.\*

Early in 1782, the treasurer was authorized "to

hire ;f 20,000 in specie, and to give Notes on

Interest for any sums demanded of him by virtue

of an order from the President." \* This was prob-

ably the same plan that was followed in the loans

of 1779 and 1780. In June, Robert Morris's notes

and the bills issued by the Bank of the United

States were made receivable for all taxes as the

equivalent of specie.\*

New Hampshire had become dissatisfied with

the apportionment of her quota of the requisitions,

and claimed that she was made to bear more than

her just share of the public burdens.^ For this

cause, or for some other, her compliance with the

financial demands of Congress now became partial

and reluctant. From 1781 to 1788, the state paid

States, amounted to |(58/xx). This was four-tenths of the total.

State Papers, Finance, I. 58. See resolutions adopted in 1780.

Papers, VIII. 876-877.

1 Papers, VIII. 858. ^Idem, VIII. 913.

« Idem. , \* Dip. Corr. of Rev., XII. 91.

» Papers, VIII. 931. • Idem, VIII. 945.

''Journals of Congress, April i, 1782.

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into the federal treasury $35,630 in specie, and

$86,474 in indents, leaving unpaid balances of

$216,625 in specie and $253,146 in indents.^

The Revolution had left New Hampshire with

a debt that was considered a heavy burden. One

estimate, probably unreliable, places it at $500,000

in 1784.^ In 1782, it was decided to allow holders

of the obligations of the state to bring them to the

treasury and have them liquidated according to the

legal scale of depreciation.^ When this should be

done, the treasurer was instructed to issue specie

certificates for the principal of the debts and for

accrued interest. In the course of six or eight

years a considerable part of the indebtedness was

paid off,\* so that in 1790 the remaining debt

was estimated at $300,000.^ Of this, $282,595

was finally assumed by the United States.^

New Hampshire did not escape the paper-money

mania that raged in so many of the states in 1785

and 1786.^ In the former year various conferences

that were held to consider the subject demanded

"a new emission of paper bills, funded on real

estate, and loaned on interest." And this hap-

pened, be it noted, when so much of the paper

1 State Papers, I. 56-57.

\*Ford, Writings of Jefferson, IV. 139.

•Papers, VIII. 926.

^ Barstow, 269, 293; Belknap, II. 461.

\* State Papers, Finance, I. 29.

•Tenth Census, VII. 327.

^On this subject see Belknap, II. 461-477; Barstow, 269-272;

Hildreth, III. 473; libby, 7-1 1, 52-54.

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formerly issued was in circulation that the depre-

ciation was sixty per cent on the notes and twenty

per cent on certificates of indebtedness.^ As a

remedy for the discontent, the legislature of the

state passed a law that enabled debtors to offer

real or personal property " at a fair valuation " in

satisfaction of their engagements. But this act,

which remained in operation for five years, did not

quiet the agitation for more paper money. On

the contrary, it simply made specie more scarce

than before.

A paper-money party was formed in 1786, and

the newspapers teemed with discussions of the

necessity of issuing more currency in order to

stimulate industry and relieve the poor. Concern-

ing these fulminations, the New Hampshire Mer-

cury observed\* that "there is no single trace of

any idea of redemption, or any one attempt to give

the currency a foundation; but the whole seems

predicated on a supposition that the general court

by a mere act of legislation . . . could impress

an intrinsic value upon paper." The inflationists

claimed that " Paper money, or even leather but-

tons, when stamped by authority and funded with

realities, will answer for internal commerce as well

as silver and gold.\*'^ Finally, Belknap wrote:\*

" The same party who were so zealous in favor of

paper currency, and against laws which obliged

1 Belknap, II. 462.

«Coll. of N. H. Hist. Soc., III. 117-118.

• libby, 53. \* Belknap, II. 467.

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them to pay their debts, proceeded to inveigh

against Courts and lawyers."

When the legislature met in 1786, paper money

straightway became the principal subject of con-

sideration ; and finally a plan was formed for the

issue of ;£50,ooo of paper, which was to be loaned

upon mortgage security at four per cent interest,

and should be a legal tender in all payments.

This scheme was submitted to the various towns

for consideration, but the inflationists were not

satisfied with this concession. Accordingly, they

proceeded to gather in Rockingham County, and to

march to Exeter, where they tried to intimidate

the legislature. This movement proved a ridicu-

lous fiasco ; and, in January, 1787, the towns voted

against the projected issue of paper money. Recent

investigations have shown ^ that in New Hamp-

shire, as elsewhere, the men who conducted the

agitation for paper money in 1786 were the oppo-

nents of the Federal Constitution, when the ques-

tion of its ratification was under discussion in 1788.

iSeelibby, 54.

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