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# "A Just and Honest Valuation": paper money and the body politic in colonial America, 1640-1765

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BOSTON UNIVERSITY  
GRADUATE SCHOOL OF ARTS AND SCIENCES

Dissertation

**“A JUST AND HONEST VALUATION”: PAPER MONEY AND THE BODY  
POLITIC IN COLONIAL AMERICA, 1640-1765**

by

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**ABSTRACT**

My dissertation argues that paper money created a new regime of value in early America, inscribed on the money itself and expressed in the political ordering of society. The radical ideas about money and value that inspired the colonial currencies originated in Commonwealth England. Those ideas spread to the North American colonies after the Restoration, where they conveyed changing notions about membership in the political community. Paper money, its proponents believed, constituted not only the “sinews” of trade and key to limitless wealth but also the “blood” that nourished the body politic. Ironically, the expansion of paper money in early America after 1710 both reflected and helped kindle broader material and cultural changes throughout the wider English Atlantic world that strained the bonds of the provincial political community. Ultimately, however, it was not these changes, but British attempts to control paper money in the mid-eighteenth century, that became corrosive to the imperial order. Disagreements over the prerogative to create money and value, I contend, occupied a key role in the crisis leading to the American Revolution.

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## INTRODUCTION

“Paper money, land banks, and credit extension created opportunities, democratized competition, unleashed the acquisitive instinct, and encouraged personal ambition—all corrosives to a community order which valued continuity, solidarity, and stability.”<sup>1</sup>

“Despite English prohibitions, colonies often emitted paper money (sometimes using the value of land as collateral). These land banks had functioned in an egalitarian way, sustaining small producers on their land by providing mortgages to them, rather than serving as a vehicle for capitalist development.”<sup>2</sup>

“Since paper money was...not readily available, colonists who needed money for their business had to rely on loans from local moneyed men, thus increasing their sense of personal clientage and dependence...This backwardness, this primitiveness, of colonial society put a premium on patronage and individual relationships and to this extent at least riddled colonial society with more personal monarchical-like dependencies than England itself had.”<sup>3</sup>

For much of the second half of the twentieth century, historians tended to understand economic change in early America in one of two ways. The first was through Lockean lenses, reading natural rights, private property, and liberal individualism into the period. Economic change, in this view, made English colonists rational and market-oriented.<sup>4</sup> A second, Progressive-based interpretation emphasized class conflict and the moral economy, suggesting that self-sufficient colonial farmers fought the economic

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<sup>1</sup> Joyce Appleby, *Liberalism and Republicanism in the Historical Imagination* (Cambridge, MA: Harvard University Press, 1992), 149-150.

<sup>2</sup> Allan Kulikoff, *The Agrarian Origins of American Capitalism* (Charlottesville: University Press of Virginia, 1992), 108.

<sup>3</sup> Gordon Wood, *The Radicalism of the American Revolution* (New York: Knopf Doubleday, 2011), 66-67.

<sup>4</sup> This view emerged out of the “consensus” tradition in postwar American historiography, exemplified by Louis B. Hartz, *The Liberal Tradition in America: An Interpretation of American Political Thought Since the Revolution* (New York: Harcourt, Brace & World, 1995). Hartz and his successors argued that there was continuity from the colonial period to post-revolutionary America, and that from earliest settlement America was liberal, capitalistic, and individualistic.

transformation we associate with modern capitalism's emergence.<sup>5</sup> Both approaches were flawed, the former for situating change within an abstract economy, and the latter for distorting the nature of agrarian resistance to modernization in various forms. The absence of ideas, culture, and politics from both narratives further limited their scope, and thus their explanatory power.

Neither school paid much attention to the role of money in colonial American society. The neo-liberal "market" historians acknowledged the prevalence of "bills of public credit," or government-issued paper money, but associated the colonial currencies with modern individualism and acquisitiveness.<sup>6</sup> In contrast, neo-Progressive "social" historians viewed paper money as an egalitarian force, and the currency debate itself as a class conflict between debtors (who wanted more paper money) and creditors (who wanted less).<sup>7</sup> Alternatively, those who understood the colonial economy as primitive,

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<sup>5</sup> The Progressive framework regained its previous stature during the "transition to capitalism" debate of the 1970s and 1980s, which pitted neo-liberal "market historians" against the "social historians" of the New Left. Kulikoff, *The Agrarian Origins of American Capitalism*; Michael Merrill, "Cash is Good to Eat: Self-Sufficiency and Exchange in the Rural Economy of the US," *Radical History Review* 13 (1977): 42-71; James Henretta, "Families and Farms: Mentalite in Pre-Industrial America," *The William and Mary Quarterly* 35, no. 1 (1978): 3-32. Influenced in large part by E.P. Thompson's cultural Marxism and concept of the moral economy, the social historians suggested that most early American farmers were self-sufficient, and argued that farmers sought to sustain communalism and an anti-capitalistic ethos. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past & Present*, No. 50 (1971): 76-136.

<sup>6</sup> Appleby, *Liberalism and Republicanism*. See also Richard L. Bushman, *From Puritan to Yankee: Character and the Social Order in Connecticut, 1690-1765* (Cambridge, MA: Harvard University Press, 1967); T.H. Breen and Timothy Hall, "Structuring Provincial Imagination: The Rhetoric and Experience of Social Change in Eighteenth-Century New England," *The American Historical Review* 103, no. 5 (1998): 1411-1439.

<sup>7</sup> Kulikoff, *Agrarian Origins of American Capitalism*. See also Gary Nash, *The Urban Crucible: Social Change, Political Consciousness, and the Origins of the American Revolution* (Cambridge, MA: Harvard University Press, 1979). For a similar view for the

feudal, monarchical, or otherwise pre-modern claimed that paper money was altogether unimportant.<sup>8</sup>

Since the 2007 financial crisis, however, history departments across the United States have seen a renewed curiosity in American economic history. Students and scholars are interested in economic processes like commodification, financialization, and mechanization, in the function of state power and violence in shaping economic systems, and in the human costs of capitalism. They aim to denaturalize money and markets, and to historicize capitalism and its early modern antecedents within their social, cultural, and political contexts.<sup>9</sup>

The “new history of capitalism” recognizes money’s—particularly paper money’s—importance within early American society. While much of the scholarship on the period before 1800 is about plantation slavery’s centrality to the British Empire and, later, the industrial revolution, there is growing interest in early American financial

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revolutionary and early national period, see Woody Holton, *Unruly Americans and the Origins of the Constitution* (New York: Hill and Wang, 2007).

<sup>8</sup> Wood, *The Radicalism of the American Revolution*. Wood claimed that paper money had “democratizing effects,” (339) and linked democracy with modernity and capitalism. According to Wood, paper money transformed social and economic dependence into “independence.” To validate his overall argument about the American Revolution as a modern, democratic, and capitalistic revolution, however, he claims that paper money was an insignificant force until the imperial crisis. Until then, he maintains, the dependency associated with a reliance on private credit prevailed. Wood’s argument is not unlike Appleby in *Liberalism and Republicanism*, which claims that paper money “democratized competition, unleashed the acquisitive instinct, and encouraged personal ambition.” (149-50) The difference between them is that Appleby, for whom liberal individualism appeared long before the Revolution, sees paper money as a significant force in the colonial economy from its first appearance.

<sup>9</sup> Jennifer Schuessler, “In History Departments, It’s Up With Capitalism,” *New York Times*, April 6, 2013; Seth Rockman, “What Makes the History of Capitalism Newsworthy?” *Journal of the Early Republic* 34, no. 3 (2014): 439-466.

instruments and institutions: where they came from, how they were used, and what part they played, not only in English colonization but also in the larger economic and social transformations of the eighteenth century. Historians of capitalism are particularly interested in counterfeiting, credit culture, and banking in the colonies and throughout the wider English Atlantic world.<sup>10</sup>

Still, most scholars of colonial American history are inclined to ignore money or to relegate it to an intangible economic sphere in which people lack agency. In the historical imagination, money is usually Karl Marx's "neutral" veil or George Simmel's "colorless" medium, but it is always abstract and often destructive.<sup>11</sup>

Drawing on methodologies and insights from across the humanities and social science disciplines, this dissertation proposes a new way of thinking about colonial paper money in its historical context. It uses economics to understand money as credit, sociology to understand how money is socially constructed, anthropology to understand that value is always historically conditioned and culturally specific, and, finally, literary criticism to understand money as a system of representation.<sup>12</sup>

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<sup>10</sup> For example, see Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States* (Cambridge, MA: Harvard University Press, 2007); Jane Kamensky, *The Exchange Artist: A Tale of High-Flying Speculation and America's First Banking Collapse* (New York: Penguin Books, 2008); Michelle Burnham, *Folded Selves: Colonial New England Writing in the World System* (Hanover, NH: Dartmouth College Press, 2007); Sheryllynne Hagerty, *Merely for Money?: Business Culture in the British Atlantic, 1750-1815* (Liverpool: Liverpool University Press, 2012).

<sup>11</sup> Karl Marx, *Capital: A Critique of Political Economy, Volume 1* ([1867] New York: Penguin, 1991), esp. 188-240; George Simmel, *The Philosophy of Money* ([1907] New York: Routledge, 2011).

<sup>12</sup> Alfred Mitchell Innes, "The Credit Theory of Money" (1914) in L. Randall Wray, ed., *Credit and State Theories of Money: The Contributions of A. Mitchell Innes* (Cheltenham, UK: Edward Elgar Publishing, 2004), 50-78. Works from sociology, anthropology, and

Furthermore, this study brings together a broad range of sources—from account books and petitions to economic essays and the financial instruments themselves—to reconstruct a narrative of change over time from multiple perspectives. While we cannot always determine what people thought from “on the ground” sources, a yeoman farmer’s account book record of a paper money transaction or an advertisement for a runaway slave who escaped with bills of credit in his possession can reveal much about how early America’s inarticulate behaved.

This dissertation reinterprets the origins and spread of public financial instruments that both expressed and helped kindle new ideas about money, value, society, and the self in the English colonies of North America between 1640 and 1765. The colonial currencies created a new regime of value that was reflected in the political ordering of eighteenth-century society. Over time, paper money became the basis of a political economic order founded on the legislative prerogative to make money and a notion of value that pegged local economic worth to the provincial political community. Ultimately, the clash between provincial political communities on one hand and the

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literary criticism that have influenced my understanding of money include Viviana A. Zelizer, *The Social Meaning of Money: Pin Money, Paychecks, Poor Relief, and Other Currencies* (Princeton, NJ: Princeton University Press, 1997); Geoffrey Ingham, “On the Underdevelopment of the ‘Sociology of Money,’” *Acta Sociological* 41, no. 1 (1998): 3-18; David Graeber, *Toward An Anthropological Theory of Value: The False Coin of Our Own Dreams* (New York: Palgrave, 2001); Paul Einzig, *Primitive Money in Its Ethnological, Historical and Economic Aspects* (Oxford: Pergamon Press, 1966); Mary Poovey, *Genres of the Credit Economy: Mediating Value in Eighteenth- and Nineteenth-Century Britain* (Chicago: University of Chicago Press, 2008); Natalie Roxburgh, *Representing Public Credit: Credible Commitment, Fiction, and the Rise of the Financial Subject* (London: Routledge, 2016).

ideology and aims of the British empire on the other led to the imperial regulations on colonial money and value that contributed to the unraveling of the empire by the 1760s.

Chapter One discusses the English origins of early American paper money. During the English Civil War (1642-51), Calvinist social reformers redefined money as credit backed by security. In doing so, they repudiated the medieval conception of gold and silver specie as being intrinsically valuable. Instead, they embraced a new notion of money as a *signifier* of value, proposing a bank of credit that issued paper money on the security of land. English ideas about money and value spread to New England after the Restoration (1660), where a group of Anglo-American politicians and land speculators nearly managed to establish a private bank of credit.

However, paper money failed in North America before 1690 due to the political instability and land insecurity characteristic of the seventeenth-century English colonizing project. Ultimately, provincial legislatures issued the first paper money in colonial America. Backed by future taxes rather than land, bills of public credit (bills of credit for short) constituted a loan from colonists to the government that circulated as a *de facto* money, replenishing exhausted treasuries while breaking the colonies' dependence on specie as the local medium of exchange.

Chapter Two examines the development of colonial paper money regimes during King William's War (1688-97) and Queen Anne's War (1702-13) in North America. When the colonies created paper money to pay soldiers, they were accelerating a shift in economic thinking already underway throughout the English Atlantic world. What made this money unique was the power it gave to colonial governments and their constituents.

Linking the prerogative to create money to the power of taxation, provincial legislatures disbursed paper money to public creditors. Bills of credit represented a claim on government revenues and were secured by future income from taxes—their cash value came from their fiscal value.

When they brought their bills to market, public creditors created a local currency that anyone could use to pay taxes, buy goods, and pay off debts. On one hand, the spread of paper money after 1710 lubricated reciprocal trade ties, weakening traditional paternalistic forms of social and economic dependency but exposing colonists to new kinds of market relations. At the same time, bills of credit reinforced the communal notion of a body politic. As the “sinews” of war and peace, paper money bound colonists to each other and to the provincial political community itself.

Chapter Three illustrates how the expansion of paper money after Queen Anne’s War created a new geography of value in colonial America that linked local monetary worth to “public faith” between provincial legislatures and their constituents. As colonial governments asserted their authority to make money outside of war finance, a new conceptual division emerged between “universal” and “local” value that helped explain how paper money derived its worth. While gold and silver coins were said to have universal value among trading nations, colonial paper money had local value based on legislative prerogative, common consent, landed property, and public faith.

Aiming to preserve the traditional social order, colonial leaders kept paper money secured by taxes or land under legislative power. But paper money in peacetime undermined relationships based on blood, deference, and hierarchy. By stimulating trade

and encouraging credit expansion, it instead depersonalized economic bonds. At the same time, paper money backed by public faith functioned as a collective asset. By facilitating government spending and community building, it transformed the provincial political community from a communal “body politick” into a “publick” that made all constituents mutual stakeholders in their colony’s political and economic future.

Chapter Four analyzes the Pennsylvania loan office system to illustrate how paper money came to form the basis of a colonial political economic order founded on legislative control over the money supply and a notion of value that pegged local economic worth to landed property. Unlike treasury notes borrowed on the public credit in wartime, colonial legislatures lent “coined land” to individuals on the basis of real estate mortgages. In theory, land-backed money would serve both as an economic stimulus and as a common resource, with interest from the loans going to the public good. The success of the loan office system in Pennsylvania compared to other colonies affirmed what were sometimes and in some places tenuous links between legislative prerogative, public faith, and local value. In Pennsylvania, public opinion of paper money and the government that issued it played a crucial role in mediating and maintaining the money’s value.

Chapter Five shows how the rise of Atlantic commerce after Queen Anne’s War entangled paper money with a spreading consumer culture and burgeoning polite society that led colonists to change how they conveyed social and economic meaning and identity. As mercantile credit expanded throughout the English Atlantic world, colonial elites grew concerned about generous access to overseas markets and the erosion of class

boundaries that attended such access. For some commentators, paper money provided a convenient scapegoat on which to blame social vice, high prices, and specie scarcity. Borrowing from early seventeenth-century English writers, they used the language of luxury and idleness to claim that paper money encouraged superfluous consumption, which in turn contributed to the colonies' growing negative trade balance with Britain. Increasingly, both critics and supporters of paper money spoke about value in terms of labor, agreeing that their money would have no value if colonists failed to produce anything of "real" worth to Britain's expanding commercial empire.

Chapter Six documents Britain's efforts to control money and value in colonial America beginning with Queen Anne's Proclamation of 1704 and concluding with the Currency Act of 1764. Following attempts by the Board of Trade to regulate exchange rates and establish specie-based currencies in the colonies, the British House of Commons led an inquiry into colonial paper money that culminated in the Currency Act. This act banned bills of credit from being legal tender, meaning creditors could no longer be forced to accept payment for debts contracted in sterling in paper money that exchanged for less than face value. While the colonies could continue to issue paper money without legal tender status, the Currency Act complicated colonial legislative prerogative. The real constitutional crisis leading to revolution was not simply the Stamp Act of 1765, as historians have long argued, but the Currency Act as well. In repudiating the colonies' authority to make money and determine value, the law delegitimized their political economic order, and ultimately became corrosive to the empire itself.

## CHAPTER ONE

### THE BLOOD THAT NOURISHES THE BODY POLITIC

*As God will pleaseth, when the straightened hand  
of want, doth threatens to devour a Land,  
To raise some worthy Persons, to procure  
Help, for the crying and the dying poor;  
So here, He prompts an Instrument to show,  
a way to live, by which the poor may grow  
In Riches, and the Rich may Wealth increase,  
and both enjoy such Wealth, in settled Peace:  
By Rules, which are so Just, so Plain, so True,  
as none but must confess, excel they do  
All Forms of Trade before: so none shall need,  
(who now will Work,) to want their daily-bread:  
That, all such Mercies they who shall possess,  
may evermore, the name JEHOVAH bless.*

David Brown (1650)

In the winter of 1684/5, the Boston minister Increase Mather received news of the Old World from his son in Dublin. “There went lately from London, for New-England, a man of much piety & worth, Capt. John Blackwell,” Nathaniel Mather reported.<sup>13</sup> Born in London in 1624, John Blackwell, Jr. was a career soldier who rose through the ranks during the English Civil War (1642-51) to eventually become Oliver Cromwell’s war treasurer. He fled to Ireland after the 1660 Restoration, participating in various commercial and land schemes including the Royal Fishery of London and the royal physician Daniel Coxe’s Huguenot settlement in New Jersey. In 1684, Blackwell

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<sup>13</sup> Samuel A. Green, John T. Hassam, and Robert C. Winthrop, eds., “John Blackwell, Jr.,” *Proceedings of the Massachusetts Historical Society* 13 (1899): 23.

petitioned the Massachusetts General Court for land to charter a new town. He left Ireland for the New World shortly thereafter, and was warmly welcomed.<sup>14</sup>

In a 1686 bank proposal to the Dominion of New England government, Blackwell professed what most people already knew: that the amount of available specie was “insufficient in this age of the world.”<sup>15</sup> Despite these shortages, Massachusetts’s economy flourished from immigration in the 1630s and from trade with the West Indies and southern Europe beginning in the 1640s. The colony even minted its own silver money out of the Spanish pieces of eight and other foreign coins that its merchants imported. However, in 1684, Charles II banned the mint, part of a larger effort to regularize England’s overseas colonies after 1650. This, along with the reinforcement of Cromwell’s Navigation Acts between the 1660s and the 1680s, which prohibited colonists from trading with foreign countries, had limited New Englanders’ access to coin near the century’s end.<sup>16</sup>

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<sup>14</sup> W. F. L. Nuttall, “Governor John Blackwell: His Life in England and Ireland,” *The Pennsylvania Magazine of History and Biography* 88, no. 2 (1964): 121-141; *Oxford Dictionary of National Biography*, s.v. “Blackwell, John (1624-1701),” by G. E. Aylmer, doi:10.1093/ref:odnb/37197 (hereafter *Oxford DNB*); David Fall, “Notes and Documents: John Blackwell and Daniel Cox: Further Notes on Their Activities in Restoration England and British North America,” *The Pennsylvania Magazine of History and Biography* 123, no. 3 (1999): 227-233. For this chapter I am indebted to the discussion of John Blackwell in America contained in Joseph Dorfman, *The Economic Mind in American Civilization, Volume I* (New York: Viking Press, 1946), 96-111.

<sup>15</sup> [John Blackwell], *A Discourse in Explanation of the Bank of Credit or An Account of the Model Rules & Benefits of The Bank of Credit, Lumbard, and Exchange of Moneys Proposed to be Erected in Boston And managed by persons in Partnership, as other Merchantly Affayres...* (London, 1688), in Andrew McFarland Davis, ed., *Colonial Currency Reprints, 1680-1751*, 4 vols. (Boston: Prince Society, 1911), 1:123 (hereafter *CCR*).

<sup>16</sup> Bernard Bailyn, *The New England Merchants in the Seventeenth Century* (Cambridge, MA: Harvard University Press, 1955), 82-91; “The Diaries of John Hull: Mint-Master

One solution, Blackwell believed, was to issue *paper* money through a “Bank of Credit,” run by merchants and backed by land and commodities. This proposal was radically at odds with the seventeenth-century’s mainstream economic thought. Whereas gold and silver coins had “intrinsic” value, the “Bank-Bills of Credit” that Blackwell proposed were backed by real assets lying elsewhere. Still, Blackwell thought that if properly managed and secured, bank bills were just as good as specie. Used as a local medium of exchange, they would “supply of the great scarcity of money here, for carrying on the Ordinary commerce amongst Traders; who, unless speedily relieved by this medium, will, in all probability, be suddenly exposed to breaking and Ruin.” At the same time, the bills would encourage the “employment of all the hands we have...who will betake themselves to industry, at such moderate wages as would enable them to live comfortably.” Secured by private property and supported by the bank managers’ personal credit, paper money would shield colonial merchants from ruin while uplifting poor and middling folks through their own labor.<sup>17</sup>

Blackwell’s bank failed, swallowed by the political tumult surrounding the 1688 Glorious Revolution and the war with France that followed. In 1690, however, the Massachusetts Puritans adopted some of Blackwell’s ideas when they issued “bills of public credit” backed by future taxes to pay soldiers who had returned home from the unsuccessful invasion of Canada at the opening of King William’s War (1688-97). Other

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and Treasurer of the Colony of Massachusetts Bay,” *Transactions and Collections of the American Antiquarian Society* 3 (1857): 282-305.

<sup>17</sup> [Blackwell], *A Discourse in Explanation of the Bank of Credit*, in *CCR*, 1:124-125.

colonies repeated the monetary experiment during Queen Anne's War (1702-13), replicating and building upon Massachusetts's innovation.

At first, the English provincial assemblies justified these emissions as necessary to finance colonial military expenses during the Anglo-French imperial wars.<sup>18</sup> They in fact created local legal tender currencies backed by government revenues and public faith. To its promoters, paper money was the "sinews" of war and trade, the key to limitless wealth, and the "blood" that nourished the body politic. Used by colonial governments to reimburse public creditors and by colonists to pay taxes, settle debts, and trade with neighbors, bills of credit created a new regime of value and valuation in early America. This new regime was expressed not only in the paper money itself but also in the political ordering of eighteenth-century colonial society.

Previous historians have tended to attribute colonial paper money emissions to the demands of war finance.<sup>19</sup> While warfare provided the *occasion* for printing bills of credit, its cause was money scarcity.<sup>20</sup> This chapter argues that a pre-existing scarcity of

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<sup>18</sup> E. James Ferguson, "Currency Finance: An Interpretation of Colonial Monetary Practices," *The William and Mary Quarterly* 10, no. 2 (1953): 153-180.

<sup>19</sup> The best historical studies of early American paper money remain Curtis P. Nettels, *The Money Supply of the American Colonies Before 1720* (Madison, WI: University of Wisconsin, 1934); Joseph Ernst, *Money and Politics in America, 1755-1775: A Study in the Currency Act of 1764 and the Political Economy of Revolution* (Chapel Hill: University of North Carolina Press, 1973); Leslie V. Brock, *The Currency of the American Colonies, 1700-1764: A Study in Colonial Finance and Imperial Relations* (New York: Arno Press, 1975); John J. McCusker, *Money and Exchange in Europe and America, 1600-1775: A Handbook* (Chapel Hill: University of North Carolina Press, 1993); Eric P. Newman, *The Early Paper Money of America: An Illustrated, Historical, and Descriptive Collection of Data Relating to American Paper Currency from Its Inception in 1686 to the Year 1800*, 4<sup>th</sup> ed. (Iola, Wisc.: Krause Publications, 1997).

<sup>20</sup> Curtis P. Nettels, "The Origins of Paper Money in the English Colonies," *Economic History, a Supplement to the Economic Journal* III (1934): 25-56.

money and credit in the English Atlantic world created the underlying intellectual structures necessary to legitimate paper money emissions. Radical ideas about money and value that had emerged in England and later spread to North America informed the development of colonial political institutions after 1690 that broke the colonies' dependence on specie as the central economic driver. In establishing these institutions, colonists drew directly and indirectly upon Blackwell and other seventeenth-century English writers. Colonial thinkers and politicians subsequently reformulated this thinking and used it to legitimate the provincial assemblies' paper money emissions well into the eighteenth century.<sup>21</sup>

Prior to 1640, English economic thought remained within medieval conceptual frameworks that saw value as objective and absolute and money as the blood of the body politic. Prevailing economic wisdom rested on the assumptions that money's intrinsic value came from bullion, that such money was necessary to the health of trading nations, and that the world's supply of bullion was limited. Tudor and Stuart monarchs were strongly wedded to these assumptions, but they also believed that money's value was intertwined with royal authority, which was why they claimed the prerogative to coin

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<sup>21</sup> J. Keith Horsefield has pointed out that the ideas behind Blackwell's bank had their origins the 1650s, when Puritan intellectuals and social reformers proposed land banks as a solution to money scarcity in England. Horsefield, "The Origins of Blackwell's *Model of a Bank*," *The William and Mary Quarterly* 23, no. 1 (1966): 121-135. See also Horsefield, *British Monetary Experiments, 1650-1710* (Cambridge, MA: Harvard University Press, 1960). The Massachusetts magistrates who issued English America's first paper money would have also been familiar with French Canadian "playing-card money," a paper currency established by French colonists as early as 1675 to deal with their own shortage of specie. See Richard A. Lester, "Playing-Card Currency of French Canada," in *Money and Banking in Canada*, ed. E. P. Neufeld (Toronto: McClelland and Stewart Limited, 1964), 9-23.

money, and implemented mercantilist foreign trade policies aimed at building up a specie surplus through a positive trade balance with other nations. Mercantilism encompassed a wide variety of shifting ideas, practices, and debates, but as a theory of political economy it equated national power with national wealth. Early modern monarchs believed that a nation ought to create a favorable balance of trade by exporting at least as much as it imported, and in doing so strengthen its position in the world.<sup>22</sup>

While the medieval conceptual frameworks that gave rise to mercantilism emphasized order, harmony, and balance in the universe, mercantilist policies themselves were motivated by national interest, gain, and competition. Certainly, mercantilism accommodated and perpetuated certain medieval notions, like the idea that the world's wealth in bullion was fixed and the belief that such bullion gave money its intrinsic value. At the same time, mercantilism undermined the medieval concept of balance, for a country could only "balance" its own trade at the cost of other countries. In a zero-sum world, trade balance required national self-interest, and self-interest potentially threatened the order, harmony, and balance of the universe.<sup>23</sup>

In theory, early modern economic orthodoxy emphasized an intrinsic theory of monetary value. In practice, alternative interpretations of the meaning of money and the origins of value had long existed. During the medieval era, ancient custom held that

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<sup>22</sup> Terence W. Hutchison, *Before Adam Smith: The Emergence of Political Economy, 1662-1776* (Oxford: Basil Blackwell, 1988), 15-16; Philip J. Stern and Carl Wennerlind, introduction to *Mercantilism Reimagined: Political Economy in Early Modern Britain and its Empire*, eds. Stern and Wennerlind (Oxford: Oxford University Press, 2014), 3-22.

<sup>23</sup> Andrea Finkelstein, *Harmony and Balance: An Intellectual History of Seventeenth-Century English Economic Thought* (Ann Arbor: University of Michigan Press, 2000), 2, 21-35, 88.

money's value derived not from its weight in metal but from the official denomination on its face. To be sure, an English coin's denomination was determined in part by the weight and fineness of the silver it contained and was endorsed by the crown. And, once the coin entered circulation, the Royal Exchequer made sure to protect its silver content from debasement. As the lawful money of the realm, however, it was coin's denomination or nominal value, as opposed to its weight or "real" value, that ultimately mattered in payments. Confirmed by the English courts in the early seventeenth century, the common-law principle of "nominalism" ensured the crown's right to determine—*extrinsically*—money's value.<sup>24</sup>

The Scientific Revolution and the English Civil War created the intellectual and political space for new ideas about money and value to emerge. In this context, a group of Calvinist social reformers and intellectuals known as the "Invisible College" coalesced around the English philosopher Francis Bacon's scientific and spiritual legacy. The reformers expressed concerns about money scarcity, unemployment, poverty, and the decay of trade, but their interests went beyond the economic realm. Inspired by Bacon's *The Great Instauration* (1620), which proposed using science and faith to relieve human suffering and return mankind to a state of innocence, they linked practical social and economic reforms to millennial visions of an English utopia on earth. This vibrant intellectual community included Samuel Hartlib, William Potter, John Drury, Henry Robinson, Robert Boyle, George Starkey, and Benjamin Worsley. While each member had his own passion—husbandry for Hartlib, banking for Potter, education for Drury,

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<sup>24</sup> Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford: Oxford University Press, 2014), 71-82, 269-270.

astronomy for Worsley, and alchemy for Starkey—they all shared the desire to know and control the natural world, the belief that human industry could create potentially infinite progress and wealth, and the hope that their practical works would someday inspire a “universal reformation.”<sup>25</sup>

Several of the Invisible College’s members fixated on the role that *credit* played in periods of money scarcity. In the early seventeenth century, the English were using the same money—much of it worn, clipped, or counterfeited—that had circulated for centuries, while demand for it was continually increasing. James I tried to augment small change for the poor with copper farthings, but these were easily counterfeited and their value fluctuated, leading to their recall. Such specie scarcity meant that most transactions were made on credit, not coin, and by the 1640s, bills of exchange, promissory notes, and retail credit had become ubiquitous. Some towns and businesses even issued trade tokens made from iron, lead, copper, leather, or tin as money substitutes. With their circulation limited, the “imaginary” coins could be controlled and mediated through networks of people who knew and trusted each other. The most common form of credit, however, was

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<sup>25</sup> Finkelstein, *Harmony and Balance*, 107-122; Carl Wennerlind, *Casualties of Credit: the English Financial Revolution, 1620-1720* (Cambridge, MA: Harvard University Press, 2011), 54-61; Christopher Hill, *The Intellectual Origins of the English Revolution Revisited* (Oxford: Oxford University Press, 1997), 77-117; George M. Ella, *The Practical Divinity of Universal Learning: John Durie’s Educational Pansophism* (Eugene, OR: Wipf and Stock, 2014), 19-20; Antonio Clericuzio, “New Light on Benjamin Worsley’s natural philosophy,” in *Samuel Hartlib and Universal Reformation; Studies in Intellectual Communication*, eds. Mark Greengrass, Michael Leslie, and Timothy Raylor (Cambridge: Cambridge University Press, 1994), 236-246. See also Hill, *The World Turned Upside Down: Radical Ideas During the English Revolution* (New York: Penguin, 1975); Charles Webster, *The Great Instauration: Science, Medicine, and Reform, 1626-1660* (London: Holmes & Meier, 1976).

the informal agreement between individuals, what some historians have called household credit, but contemporaries generally knew as private credit.<sup>26</sup>

William Potter regarded the prevalence of private credit networks existing within England's wider credit culture as problematic. "The greatest part of men's *returns* [is] upon the *Credit* of particular persons," he pointed out in *The Key of Wealth* (1650), despite its "many and great Inconveniencies." This predominance of "*Trading* on private *Credit*," he elaborated, resulted in "men's losses by desperate *debts*." Potter knew that credit's stability ultimately depended on two things: trust and security. Trust was the social relation embedded in all forms of credit. In the early modern world, trading on private credit was synonymous with "dealing upon *Trust*." Yet few people really knew "what degree of safety or danger there is in trusting others." On the other hand, the material foundation of credit was its "*real Security*," what we would refer to as collateral today (the real assets pledged to insure repayment). Security gave credit its value in exchange. The problem with private credit, Potter observed, was that creditors seldom ever required security for repayment. Based on a debtor's word, private credit rested instead on the narrow foundation of a person's promise.<sup>27</sup>

Potter proposed transforming all types of credit into a circulating currency, in effect redefining money as credit, and *vice versa*. While normally such a proposal would

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<sup>26</sup> Craig Muldrew, "'Hard Food for Midas': Cash and its Social Value in Early Modern England," *Past & Present*, No. 170 (2001): 78-120; Desan, *Making Money*, 231-236; Mary Poovey, *Genres of the Credit Economy: Mediating Value in Eighteenth- and Nineteenth-Century Britain* (Chicago: University of Chicago Press, 2008), 50-59; Deborah M. Valenze, *The Social Life of Money in the English Past* (Cambridge: Cambridge University Press, 2006), 34-38.

<sup>27</sup> William Potter, *The Key of Wealth: Or, A new Way, for Improving of Trade* (London, 1650), 39-40, 42, 34, 38.

have meant invading the royal prerogative to mint money, the English Civil War had upended that prerogative, and now it belonged to Parliament. Still, the difficulties connected with trading on “trust” could only be solved if credit had “a *firm* and *real* security.” To elucidate this point, Potter described a parable in which the discovery of a gold mine had prompted a company of men to set up a bank on the gold’s security. Although the bank money was not legal tender, it would be taken by people as money based on the assumption that if not accepted in trade, it could always be “*sold to the Gold-Smith*” without a loss in value. Any sensible merchant would be wise to take this money rather “than sell his *ware* upon *credit*, because that for a need he is able to sell this *money* to the *Gold-Smith* if he cannot make it to be taken [in trade].” Potter concluded: “By making this new kind of money, to be of such real value, as may yield the sum it is taken for, without any considerable loss, if sold to the *Gold-Smith*...few (I say) will refuse it.”<sup>28</sup>

If money was credit backed by security, then such credit did not have to constitute its security. Quite the reverse, the paper bills in the parable were secured by gold that sat in a bank. The bills were simply a mediating instrument, a trustworthy representation of gold accepted by a seller of goods as security for a customer’s payment. That seller could then use the money to purchase other things “upon the *Credit* of such *Security*.” Money, Potter elaborated, was “given to men for their *Commodities*...to signify how far forth, other men are indebted for.”<sup>29</sup>

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<sup>28</sup> Potter, *Key of Wealth*, 27, 33-35.

<sup>29</sup> Potter, *Key of Wealth*, 38; Samuel Hartlib, *A Discoverie for division or setting out of land, as to the best Form* (London, 1653), 27.

By redefining all money as a signifier of value, *The Key of Wealth* exposed the myth that specie had “any true worth.” Coins themselves were signifiers of the gold and silver they contained. And while bullion was reliably valuable in exchange, its value was not objective or absolute. On the contrary, gold and silver were money by custom and opinion. As a later proponent of paper money wrote, the “intrinsic worth” of specie came from “the general esteem of the World.” People trusted gold and silver, or gave it credit, because they valued what they could get in exchange for it.<sup>30</sup> Money, Potter and others argued, was in effect credit. But while private credit rested on the fragile foundation of a person’s promise to pay, the paper money Potter envisioned had credit based on a material foundation of real assets.

In lieu of gold or silver, Potter and his friends made the radical proposition of using land as security for a bank of paper money.<sup>31</sup> “*Tradesmen of known and sufficient credit,*” Potter wrote, would set the bank up on the security of their own estates. They would print bills to lend among themselves, “upon no less security then if the same were so much ready money, or gold.”<sup>32</sup> Defying the prevalent bullionist worldview, Samuel Hartlib echoed Potter in suggesting that land had “as real & intrinsic value” as gold and silver. Paper money backed by land was “easier, quicker, and safer” in the “dispatch of

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<sup>30</sup> Mark Lewis, *Proposals to the King and Parliament, or a Large Model of a Bank* (London, 1678), 1.

<sup>31</sup> Before they proposed land banks, some members of the Invisible College had actually attempted to alchemically transform base metals into gold as security for a credit currency. See Carl Wennerlind, “Credit-Money as the Philosopher’s Stone: Alchemy and the Coinage Problem in Seventeenth-Century England,” *History of Political Economy* 35 (2003): 234-261; Wennerlind, *Casualties of Credit*, 47-55.

<sup>32</sup> Potter, *Key of Wealth*, 45-47.

all business of payment.”<sup>33</sup> A land bank could not be robbed, Hartlib wrote in a 1653 essay responding to Potter’s proposal, “there being (by Law of the Bank) no money to rest there.”<sup>34</sup> Nor could it fail, a later proposal described with a touch of sarcasm, “*unless the Island [of Britain] sink into the Sea.*” Unlike a bank of gold, the same writer observed, a land bank was unlikely to ever be attacked, for it held nothing of real worth within its walls.<sup>35</sup>

Yet the fact that paper money was physically separated from its security also posed potential problems. Despite having the material foundation of land, Potter’s bank divided the sign of money (paper) from its referent (land), whereas specie embodied both sign (the coin’s denomination) *and* referent (the metal it contained).<sup>36</sup> Separating credit from its security was not a new innovation. Since 1609, the Dutch Bank of Amsterdam had issued “bank money” to merchants. Backed by the bank’s gold and silver reserves, Dutch bank money was a symbol of real assets that bridged the physical and conceptual gap between credit and security. An instrument of mediation, bank money did not have to constitute the value it signified. Still, the Bank of Amsterdam held gold and silver reserves at the location of the bank. What distinguished land banks from such silver

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<sup>33</sup> [Samuel Hartlib], “Memo in Scribal Hand H, On Banks & Credit Based On Land & Commodities” [n.d.], in *The Hartlib Papers*, eds. M. Greengrass, M. Leslie, and M. Hannon (Sheffield: HRI Online Publications, 2013), [https://www.hrionline.ac.uk/hartlib/view?docset=main&docname=27A\\_14](https://www.hrionline.ac.uk/hartlib/view?docset=main&docname=27A_14).

<sup>34</sup> Hartlib, *A Discoverie for division or setting out of land*, 32.

<sup>35</sup> Lewis, *Proposals to the King and Parliament*, 7.

<sup>36</sup> Poovey, *Genres of Credit*, 5-6.

banks was the radical notion that neither money, *nor even banks themselves*, had to contain the value they represented.<sup>37</sup>

Related to this concept was the idea that paper money did not have to be convertible to specie to have value. This marked an important departure from existing practice. If a holder of Dutch bank notes wished to redeem his money for silver, he could simply bring it to the bank and exchange it there for specie. A holder of paper money secured by land mortgages, on the other hand, could not so easily redeem his cash against land. Thus, while traditional bank money's value depended on its convertibility to, or redeemability for, silver or gold, paper money's value depended in large part on the ability of the bank (and, ultimately, the state) to enforce mortgage payments.

In addition to credit and security, seventeenth-century English writers underscored a third component of paper money: transferability, or the capacity to be passed from one person to another. Transferability has varying degrees. While modern money is seen as completely fungible (impersonal and interchangeable), neither credit nor coins were alienable from their social and political context in early modern England. As a response to specie scarcity, merchants began transferring, or "assigning," inland (as opposed to foreign) bills of exchange to other merchants by endorsement and delivery. Assignability was similar to what we would call negotiability today. However, for a bill of exchange to be fully negotiable (giving holders the right to sue for payment on that bill), it required the endorsement of an intermediary responsible in case of default, and its

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<sup>37</sup> Potter, *Key of Wealth*, 39-40. See also Hartlib, *A Discoverie for division or setting out of land* 27-29; Lewis, *Proposals to the King and Parliament*, 1-2; Robert Murray, *Corporation-credit, or, A Bank of Credit made currant by common consent in London: more useful and safe than money* (London, 1682), 3.

assignability had to be recognized by the courts. In England, this did not happen until the end of the seventeenth century.<sup>38</sup>

Throughout the century, commentators argued not only for the recognition of assignability by the English state but also for an expansion of the nation's supply of assignable commercial credit instruments. Henry Robinson warned in *Brief Considerations Concerning the Advancement of Trade and Navigation* (1649) that England's internal trade would never flourish "unless bills of Debt may most compendiously and securely be assigned over from one man unto another, by authority of *Parliament*."<sup>39</sup> John Bland similarly suggested in *Trade Revived* (1660) that "the first ways and means" of restoring England's decayed trade was "that all Bonds and Bills be made salable." Legal assignability "will quicken trade," wrote Bland,

because all men generally to keep up the Reputation of their Bills, will be extremely punctual in their payments, that their Bills be current and freely accepted of by the Commerce, whenever proffered to sale either for money or goods, for every man's Bills will retain their value more or less, as he is punctual in his payments, or hath credit with Commerce, and therefore whoever hath in his power good Bills, will never want monies to carry on any design he may undertake.

Legal assignability would give bills the character of currency, because it would make them easily transferrable from person to person. But it would also allow holders to sue

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<sup>38</sup> R. D. Richards, *The Early History of Banking in England* (New York: Routledge, 2012) 45-49; Eric Kerridge, *Trade and Banking in Early Modern England* (Manchester: Manchester University Press, 1988), 71-72.

<sup>39</sup> Henry Robinson, *Briefe considerations, concerning the advancement of trade and navigation* (London, 1649), 10.

endorsers for payment, which would encourage the endorsers to maintain their personal credit and thus the credit of their bills.<sup>40</sup>

Potter applied the principle of transferability to *all* debts, proposing a law that would require creditors to demand “Bills” on security from their debtors that expressed “the sum, and day of payment.” Rather than laying dormant in creditors’ hands until payment on these became due, such bills could change hands “like so much money” and eventually spread everywhere. “Now if every man do at once demand of these Bills for his debts,” Potter projected, then “every mans hands would be full of these Bills; so as there would be as many Bills dispersed at once throughout the land, as the debts of all the men in the Nation do amount to.” Underlying the principle of transferability was an important notion that went against the grain of mercantilist orthodoxy: that a nation’s money supply should be proportional to its *internal* (domestic) commercial activity, not its foreign trade balance.<sup>41</sup> Paper money’s proponents saw transferability as the first step toward transforming credit into a medium of exchange that met the nation’s domestic trading needs, long before English law legitimated assignable commercial credit instruments.

Mid-seventeenth-century English commentators challenged mercantilist assumptions by predicting that an infusion of paper money, coupled with knowledge and industry, could create potentially *limitless* wealth. The idea of limitless wealth was first

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<sup>40</sup> John Bland, *Trade Revived, or, A way proposed to restore, increase, inrich, strengthen and preserve the decayed and even dying trade of this our English nation, in its manufactories, coin, shiping [sic] and revenue* (London, 1659), 6-7.

<sup>41</sup> William Potter, *Humble Proposals to the Honorable the Councill for Trade* (London, 1651), 5-6, 8.

put forth by members of the Invisible College who stressed the infiniteness of knowledge, industry, progress, God, and the universe itself.<sup>42</sup> “It concerns us seriously, to inquire into all the ways and means, whereby Trade and Navigation may be increased and multiplied unto the utmost,” wrote Robinson in 1649.<sup>43</sup> “Trade and riches *through an increase of money*,” Potter responded in *The Key of Wealth*, “may be multiplied to the utmost degree possible.”<sup>44</sup>

While mercantilists tended to determine a nation’s wealth from its foreign trade balance, proponents of paper money suggested that labor and land were important components of national wealth and necessary ingredients for a nation’s growth. “Labor is the Father and active principle of Wealth,” William Petty wrote in 1662, “as Lands are the Mother.”<sup>45</sup> According to this logic, a nation could expand its wealth through improvements to agriculture, manufacturing, land, and labor at no cost to other countries. Hartlib was particularly interested in the art of husbandry, while Robinson proposed employing thousands of workers through an expansion of English textiles to include silk, hemp, flax, and linen.<sup>46</sup> Paper money would make all of these improvements, and more, possible.

In the same vein, opponents of mercantilist orthodoxy argued that paper money would catalyze social reform by alleviating social ills such as unemployment, poverty, and debt. While land banks and paper money would benefit people in general by

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<sup>42</sup> Wennerlind, *Casualties of Credit*, 45-60.

<sup>43</sup> Robinson, *Briefe considerations*, 1.

<sup>44</sup> Potter, *Key of Wealth*, 23. Emphasis mine.

<sup>45</sup> William Petty, *A Treatise of Taxes and Contributions* (London, 1662), 49.

<sup>46</sup> Robinson, *Briefe considerations*, 3.

increasing trade, they could “relieve and employ the poor” in particular by lowering prices, decreasing those “in need of relief,” providing interest-free loans (thus driving down private interest rates), reducing the need for debt litigation, and increasing employment.<sup>47</sup> Three decades after Potter wrote *The Key of Wealth*, a commentator concerned about chronic underemployment in England noted that paper money could encourage manufacturing to employ the poor, transforming them from unproductive “Caterpillars” and “Worms” into industrious “Bees in a Hive.” Banks of credit could help the poor directly by supplying them with paper money at little or no interest. A bank proposed in 1683 by Robert Murray, “commiserating the necessitous Conditions of such poor,” promised to lend paper money at a rate of six percent annual interest or less. Helping the poor achieve a comfortable subsistence through manufacturing and low-interest loans would reduce the burden on church parishes, Murray argued, while a bank of credit would profit the whole nation—from merchants to farmers and sailors—through an increase in trade and riches.<sup>48</sup>

Even as they rejected aspects of traditional mercantilist thought, proposals for paper money reflected the medieval view of the economy as a “body economic” that required nourishing. In the medieval conception of society as a body politic, all members of that society worked together for the common good. Money was the “blood” that reinforced social bonds, Potter hinted, by enabling people to exchange their produce and labor with “other the Members of the said Body Politique.”<sup>49</sup> This corporeal image of

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<sup>47</sup> Potter, *Key of Wealth*, 67, 75-76.

<sup>48</sup> Lewis, *Proposals to the King and Parliament*, 20-22; Murray, *Corporation-Credit*, 13.

<sup>49</sup> Potter, *Key of Wealth*, 2.

money as the blood that nourished the body politic persisted well beyond the Restoration. “Money in a Nation,” Mark Lewis wrote in 1678, “is like blood in the Veins, if that circulates in all the parts of it, the whole body is in health; if it withdraws itself from any part, that languishes and withers.”<sup>50</sup> Hartlib believed that public land banks could strengthen the body politic by charging interest on paper money. Mortgagers, he proposed, would pay interest at one of a hundred government offices located throughout England, where the revenues would be used to defray public charges “without the necessity of other Taxes.”<sup>51</sup>

Social reformers connected to the Invisible College argued that the key to money was credit. Money did not have to be silver or gold, because money was not intrinsically valuable. Rather, it served as a signifier of value and medium of exchange between sale and purchase. Money could also provide an economic stimulus. Equipped with a paper currency, a nation could create wealth by harnessing peoples’ productive energies. These were all radical propositions that flew in the face of medieval assumptions about money (that it was intrinsically valuable), wealth (that the world’s wealth was fixed), and trade (that it was a zero-sum game).

The shift to an extrinsic theory of monetary value did not go uncontested. Adherents to mercantilist orthodoxy feared social disorder and the subordination of national interest to individual self-interest, all under the weight of destructive competition. Others viewed paper money with suspicion, linking it to magic, whimsy, and invention. It may well be, as one historian has argued, that the moral imperative of

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<sup>50</sup> Lewis, *Proposals to the King and Parliament*, 3-4.

<sup>51</sup> Hartlib, *A Discoverie for division or setting out of land*, 30-33.

mercantilism “blunted the force of new ideas” through the seventeenth and into the eighteenth century.<sup>52</sup> Still, anti-mercantilist strains of thinking held their own in England, shaping the late seventeenth-century debates over recoinage, the public credit, and trade. The new ideas about money and value that emerged during the Interregnum, another historian has more recently suggested, became especially popular in England’s North American colonies. Although the intrinsic principle of value underlying mercantilism was to be the official policy of the British Empire, economic thought and culture conceived more broadly accommodated a wider English Atlantic world of alternative ideologies.<sup>53</sup>

Officially, the Restoration returned money and value to the king’s purview. Charles II took steps to reform the coinage, outlawing trade tokens, mechanizing minting with new rolling mills and stamps, and reintroducing copper farthings. In 1667, the Royal Exchequer even began issuing interest bearing treasury orders, a short-lived program aimed at establishing a circulating public credit. The treasury orders had their origins in medieval-era tallies, wooden tokens disbursed by the crown to public creditors that represented a claim on future government revenue. Like medieval tallies, Charles’s treasury orders were transferrable. While tallies had circulated as medium of exchange, however, most treasury orders were held by only a few dozen goldsmith bankers. Backed only by the king’s promise to collect adequate taxes in the future, their value depreciated when the Exchequer suddenly stopped payments on them in 1672 on the eve of the Third Anglo-Dutch War (1672-74). By the 1680s, the coinage was in a similar state of disarray.

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<sup>52</sup> Joyce Appleby, *Liberalism and Republicanism in the Historical Imagination* (Cambridge, MA: Harvard University Press, 1992), 57.

<sup>53</sup> Cathy Matson, “Imperial Political Economy: An Ideological Debate and Shifting Practices.” *The William And Mary Quarterly*, 69, no. 1 (2012): 35-40.

Merchants sent the new milled money abroad to pay for imports, leaving nothing for local trade but old and clipped coins.<sup>54</sup>

Charles's failures to strengthen the public credit and reform the coinage prompted a renewed interest in paper money, and over the course of the 1670s and 1680s, English pamphleteers echoed the conceptual precepts laid out by William Potter and others. They proposed currencies ranging from bank bills of credit to tax-anticipation notes, sharing the premise that money was credit backed by security. In *Proposals to the King and Parliament* (1678), for example, Mark Lewis espoused the creation of a public financial network in which local banks would issue paper money secured by future taxes and endorsed by Parliament, as well as a separate system of loan offices that could issue certificates to individuals backed by commodities.<sup>55</sup> In contrast, Robert Murray's *Corporation-credit, or, A Bank of Credit made currant by common consent in London* (1683) proposed a private merchant's bank. Creditworthy subscribers would deposit their surplus goods and "be supplied from the *Bank* with Bills of Current Credit, which may be as useful, and more safe than Money."<sup>56</sup>

The English plantations suffered an even more systemic money scarcity than the mother country. In 1686, one Englishman wrote in a letter from Ireland of the "want there is of pence and smaller money for change here in Ireland, for the Conveniency of the Common sort of People, no less than the increase & quickening of smaller trade, and

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<sup>54</sup> Desan, *Making Money*, 171, 237-254; Edwin J. Perkins, "Conflicting Views on Fiat Currency: Britain and its North American Colonies in the Eighteenth Century," *Business History* 33, no. 1 (1991): 8-30.

<sup>55</sup> Lewis, *Proposals to the King and Parliament*.

<sup>56</sup> Murray, *Corporation-Credit*, 6.

consequently of greater also.” Recalling the “small moneys,” or trade tokens, of a former era, he thought that the state should create its own circulating currency, “a certain proportion of which being paid out to soldiery would thereby be soon dispersed over the whole commonwealth.” With Spain claiming possession of the New World’s gold and silver mines, England urgently needed “to devise something else besides Gold & Silver, whereof to make money.” The writer offered both corporeal and functional definitions of money, referring to it as “the Sinews of war [and] life blood of Trade” and “the common measure & token in exchange & barter of Commodities.” The Englishman’s idea that people should “invent” a new form of money from something other than gold or silver was radical. It suggested that money was neither finite nor intrinsically valuable, but rather an extrinsic creation whose value was mediated by the people who used it.<sup>57</sup>

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By the 1660s, English ideas about money and value had spread to the North American colonies. The Newbury, Massachusetts minister John Woodbridge, who met William Potter in London in 1649, applied Potter’s ideas to New England in a 1682 pamphlet entitled *Severals Relating to a Fund*. Woodbridge proposed issuing paper money through a land bank, administered by the government or private merchants. The bank would have numerous economic and social benefits. An adequate supply of circulating money, Woodbridge declared, would expand “Trading,” increase “Manufacture” for sale at home or abroad, lower interest rates, and incite people to

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<sup>57</sup> Copy of a letter on the inconvenience of the Want of small money in Ireland, with proposals for a remedy, etc., [1686?], Lansdowne Manuscripts, vol. 849, no. 4, fol. 11, British Library (hereafter BL).

purchase and improve land. It would encourage “heartless Idlers, to Work,” while decreasing the need for “vexatious Suits upon Debts...to the Scandal of a religious people, as well as the impoverishing of them.” Bank bills made of paper and secured by land were better than coin, Woodbridge concluded, because they had the foundation of private property: “real, durable, & of secure value.”<sup>58</sup>

In Connecticut, Governor John Winthrop, Jr. used his own connections with Samuel Hartlib and the Royal Society of London to try to establish a paper currency in the colonies. Winthrop practiced what one historian has called “Christian alchemy,” a synthesis of Rosicrucian millennialism, Baconian empiricism, and Pansophism professed by Samuel Hartlib and other members of the Invisible College in the 1640s and 1650s. Winthrop shared their practical and pious pursuits, believing that religious, social, economic, and technological reform would reverse the Fall of man and usher in God’s kingdom on earth. He developed his own agenda for New England that included an ironworks, silver mine, and saltpeter manufactory. After the Restoration, he took advantage of his appointment to the Royal Society to promote a land bank.<sup>59</sup>

Winthrop and Hartlib exchanged letters across the Atlantic on transmutation and the tincture of the philosophers, the oppression of the poor by the rich, and William

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<sup>58</sup> John Woodbridge, *Severals Relating to a Fund* (Boston, 1681/82), in Andrew McFarland David, ed., *Colonial Currency Reprints, 1682-1751*, 4 vols. (Boston: Prince Society, 1911) 1:110-114.

<sup>59</sup> Walter Woodward, *Prospero’s America: John Winthrop, Jr., Alchemy, and the Creation of New England Culture, 1606-1676* (Chapel Hill: University of North Carolina Press, 2010), 138-151, 265-269.

Potter's design for a land bank.<sup>60</sup> The Connecticut governor read and admired Hartlib's essay on Potter's bank, which Hartlib enthusiastically declared was "better than the philosophers stone." Regretting that the English people "hath not been at leisure hitherto to accept" such a bank, Hartlib expressed the hope "that it might be begun and practiced in a plantation for their greatest good."<sup>61</sup> Certain that colonial settlers could not be "persuaded to engage their lands" in the enterprise, however, Winthrop surmised that there must be another way to secure paper money that did not rely on individuals' private property. Such a currency, capitalized by land or something else of real value, the governor predicted, "would greatly advance commerce and other public concernments for the benefit of the poor and rich." Winthrop made his case to the Royal Society, which evidently decided against promoting his scheme. Lacking political support in Connecticut, Winthrop seems to have abandoned it shortly thereafter.<sup>62</sup>

Unlike Woodbridge and Winthrop, in 1686, John Blackwell, Jr. obtained the political encouragement needed to get his bank proposal off the ground. Yet two years later, Blackwell's bank of credit met the same fate as the others. As Winthrop intimated, paper money was inseparable from land policy. The insecurity of colonial land tenure made land banks untenable through the end of the seventeenth century. As a result, early America's first paper money was backed by a tax fund, a not unrelated concept that

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<sup>60</sup> John Winthrop, Jr. to Samuel Hartlib, January 7, 1660/60, quoted in G. H. Turnbull, "Some Correspondence of John Winthrop, Jr. and Samuel Hartlib," *Proceedings of the Massachusetts Historical Society* 72 (1960): 60 (hereafter *Proceedings of the MHS*).

<sup>61</sup> Hartlib to Winthrop, March 16, 1660, *Proceedings of the MHS*, 48-49.

<sup>62</sup> Winthrop to Hartlib, January 7, 1660/61, *Proceedings of the MHS*, 65.

depended on government promises and public faith. Paper money backed by land, on the other hand, would not arrive in the colonies for several decades.

An examination of Blackwell's land speculation activities helps elucidate why the earliest proposals for colonial paper money failed. In 1685, Blackwell and his business partners consolidated a large tract of Merrimack River Valley land known as the "Million-Acre Purchase." As Joseph Dudley and Samuel Shrimpton, both members of the governor's council, informed William Blathwayt, secretary of the English Board of Trade, "several honest & Loyal Gent...have lately purchased of the undoubted Indian Princes and Possessors...a Large Tract of Land." Dudley and Shrimpton invited Blathwayt to become a partner in the "affair" and asked him what they should do to "obtain his Majesties Ratification thereof." They predicted that their scheme would "be beneficial to this Province & unacceptable to no man." The final list of Million Purchase proprietors included Blackwell, Dudley, Shrimpton, Jonathan Tyng, Blathwayt, Richard Wharton, and ten others. Even Edward Randolph, the royal customs agent, owned a share.<sup>63</sup>

While historians have noted the connection between land speculation and the "Dudley Council," the Million Purchase, Dudley's council, *and* Blackwell's bank may all

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<sup>63</sup> Joseph Dudley and Samuel Shrimpton to William Blathwayt, January 18, 1685, Jeffries Family Papers, Massachusetts Historical Society (hereafter MHS); Copy of a letter to General Nicolson, August 22, 1720, Jeffries Family Papers, MHS. The original proprietors were Joseph Dudley, Colonel Shrimpton, John Blackwell, Colonel Lidget, William Stoughton, Peter Buckley, Colonel Usher, Richard Wharton, William Blathwayte, Edward Randolph, Thomas Hinchman, Colonel Tyng, John Hubbard, Thadeus Mattartie, Daniel Cox, Robert Thompson, and Edmund Harrison. Many of these men were involved in multiple land speculation ventures. Jonathan Tyng, for example, purchased land from a Pennacook named Joseph Trask in January of 1683/4. Joseph Trask Deed to Jonathan Tyng, January 3, 1683/4, Jeffries Families Papers, MHS.

have been linked, if Blackwell and the others intended to use the Million Purchase land as security for the bank.<sup>64</sup> John Winthrop, Jr. had previously expressed the concern that English settlers would hesitate to engage their private property in a land bank. While Connecticut was hemmed in on all sides by other colonies or water, however, Massachusetts's frontier expanded in the seventeenth century. Much of this expansion took place after King Philip's War (1675-76), when the devastation of Native American communities created new opportunities for English land speculators. Plans for a land bank were probably already under way when James II established the Dominion of New England in May of 1686, two years after the revocation of the Massachusetts Bay Colony charter. Dudley sought a position in the new government and was chosen president of the governor's council until Governor Edmund Andros arrived. In July, the Dudley Council confirmed the Million Purchase and organized the new county of Merrimack around it. Dudley asked Blackwell to prepare his proposal for a bank of credit shortly thereafter. While it is unknown when exactly their involvement in the bank commenced, three of the bank's four assessors—Blackwell, Dudley, and Stoughton—were Million Purchase proprietors, and two of them—Dudley and Stoughton—were on the governor's council. Another Million Purchase proprietor, Tyng, also sat on Dudley's council.<sup>65</sup>

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<sup>64</sup> Theodore B. Lewis, "Land Speculation and the Dudley Council of 1686," *The William and Mary Quarterly* 31, no. 2 (1974): 255-272.

<sup>65</sup> Daniel R. Mandell, *King Philip's War: Colonial Expansion, Native Resistance, and the End of Indian Sovereignty* (Baltimore: Johns Hopkins University Press, 2010), 119; Margaret Newell, *From Dependency to Independence: Economic Revolution in Colonial New England* (Ithaca, NY: Cornell University Press, 1998), 90; John Frederick Martin, *Profits in the Wilderness: Entrepreneurship and the Founding of New England Towns in the Seventeenth Century* (Chapel Hill: University of North Carolina Press, 1991), 87-100; "John Blackwell, Jr.," *Proceedings of the MHS*, 23; Lewis, "Land Speculation and the

In his capacity as head of Dudley's committee on trade, Blackwell was to "enquire & represent such methods in Trade...as might be for the improvement & benefit of this his Majesty's Government." Since the royal government's ban on minting, Dudley alleged in a council meeting, the colony had neither hard money nor "stable commodities to pass current in payments as in other Plantations," he referred to the tobacco notes used as a currency by planters in Virginia and Maryland. Without specie or commodity money, Dudley concluded, land was the colony's most valuable asset.<sup>66</sup>

The colonists' "coin clipping" habit made matters worse. While colonial governments routinely devalued (or "raised") foreign coins in the seventeenth century, Dudley and other politicians frowned upon the extralegal altering of coins' value. In England and the colonies, people took the problem of money scarcity into their own hands by shaving or cutting small pieces of gold and silver from the edges of unmilled coins and melting those clippings down to make more coins. Clipping a coin "debased" that coin, reducing its gold or silver content and thus its "intrinsic" value. Coin clippers put the debased coins back into circulation to exchange at face value, in effect creating more money to go around. While the public tolerated coin clipping, it had been a felony in England along with counterfeiting since the medieval era.<sup>67</sup> In colonies where coins

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Dudley Council"; Andrew McFarland Davis, *Currency and Banking in the Province of the Massachusetts-Bay: Part II. Banking* (New York: Macmillan Company, 1901), 79.

<sup>66</sup> Robert Toppan, ed., "Council Records of Massachusetts under the Administration of President Joseph Dudley," *Proceedings of the Massachusetts Historical Society* 13 (1900): 248-9, 244-5.

<sup>67</sup> Frank McLynn, *Crime and Punishment in Eighteenth-century England* (New York: Routledge, 1989), 165; Valerie Allen, "When Compensation Costs an Arm and a Leg," in *Capital and Corporal Punishment in Anglo-Saxon England*, eds. Jay Paul Gates and Nicole Marafioti (Woodbridge, UK: Boydell Press, 2014), 17-33.

functioned as both a local and transatlantic currency, coin debasement led import merchants to ask for higher prices from colonial retailers, who passed the burden onto their customers. This, Dudley and others argued, disproportionately hurt the poor, who in order to pay for imported commodities had to borrow money on interest from their wealthier neighbors.

Throughout the seventeenth century, New England colonists devised numerous other ways of dealing with money scarcity, from minting coins to making wampum—a purple and white shell bead used by the Iroquois in spiritual and military rituals—legal tender. Settlers commonly traded and paid their taxes in corn, cattle, and peltry. As in England, most colonists also used private credit, called book credit or “bookkeeping barter” by some historians, while merchants relied on written credit instruments such as promissory notes, notes of hand, and bills of exchange. Yet in spite of these and other monetary innovations, “the problem of providing a domestic circulating medium had become acute” by the 1680s.<sup>68</sup>

Blackwell’s solution was a bank of credit, secured by “lands of good title mortgaged” and run by New England gentry. Not unlike Potter’s, Blackwell’s bank would issue “bank bills of credit” to pass “from One hand to another.” More convenient than silver or gold, securing the bills with local land would help establish “the Trade and Wealth of [the] Country upon its own Foundation.” Moreover, the managers of the bank

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<sup>68</sup> David Graeber, *Toward an Anthropological Theory of Value: The False Coin of Our Own Dreams* (New York: Palgrave, 2001), 118-127; Davis Rich Dewey, *Financial History of the United States* (New York: Longmans, Green, 1903), 18-21; Nettles, “Origins of Paper Money”; McCusker, *Money and Exchange Handbook*, 117-118; Ernst, *Money and Politics in America*, 21-22. Quotation is from Ernst.

would be “of known integrity, prudence, and estates.” Their reputations would enhance the bills’ credit. Ordinary colonists could mortgage their own property to the bank, or receive bills passed to them in everyday trade. They could use the bills to improve their farms, repay debts to merchants, or buy food and other goods.

By putting paper money into circulation, Blackwell’s bank would facilitate everyday trade, encourage local manufacturing, and increase colonial employment. On one hand, it would enable merchants to achieve “the vastness of attempts and aims of increase in Merchandise,” in turn stimulating consumer desire and demand. But Blackwell insisted that the poor would equally benefit. “They get money,” he explained, “that enables them to buy up all necessaries...this helps the consumption of, as well our own manufactures, as other imported goods and merchandizes.” An instrument of social as well as economic reform, paper money would help “civilize the Ruder Sort of people, & [encourage] others to follow their example in industry & civility.” In describing his bank’s benefits, Blackwell drew on mid-seventeenth-century English commentators who believed that paper money, in concert with knowledge and industry and through facilitating improvements to land and labor, could create potentially limitless wealth and infinite progress.<sup>69</sup>

Declaring it “a public and useful invention for this Country,” Dudley’s council approved Blackwell’s bank in September of 1686. The council would request royal “Allowance,” but in the meantime, gave their “approbations and directions” to Blackwell for establishing the bank. At some point thereafter he procured a rolling press, purchased

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<sup>69</sup> [Blackwell], *A Discourse in Explanation of the Bank of Credit*, in *CCR*, 1:123-126, 130.

a ream of paper from John Usher (another Million Purchase proprietor and the Dominion of New England treasurer) and hired one Mr. Allen (possibly Jeremiah, later the provincial treasurer of Massachusetts) to frame the rolling press and test it “for trial of the plates and printing off some Bills.” Finally, the bank’s managers penned an Articles of Agreement on “ten large skins of parchment.” All of this activity was apparently carried out between the fall of 1686 and the summer of 1688.<sup>70</sup>

In July of 1688, Blackwell wrote to the council—now presided over by Edmund Andros—that he would proceed no “further in the Bank affairs.” Blackwell expressed disappointment, accusing the council of having his “labor and pains...without the thanks of a glass of wine.” He asked the Andros Council to return his “Rolling press and plates, which will do nobody else good...yet they will be some testimony of your respect.”<sup>71</sup>

Blackwell’s bank was abandoned when Governor Andros invalidated Native American deeds and reverted all other colonial land titles to the crown. Landowners now had to petition Andros to survey their land and confirm the title. That month, Andros issued writs of intrusion to several wealthy landholders including Samuel Sewall, Samuel Shrimpton, James Russell, and Joseph Lynde—all partners in Blackwell’s bank. One of the Million Purchase proprietors, Richard Wharton, lobbied in London for the governor’s removal. The Dominion of New England government, Sewall later wrote to a friend in Parliament, “greatly defamed and undervalued” colonial land titles, leaving “the Owners

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<sup>70</sup> Toppan, “Council Records,” 272; Green, Hassam, and Winthrop, “John Blackwell, Jr.,” 24-25; Dorfman, *Economic Mind*, 98-101.

<sup>71</sup> John Blackwell to Andros’s Council, 18 July 1688, quoted in William H. Whitmore, ed., *The Andros Tracts, Volume 3* (Boston, 1874), 84-86.

of very little Credit.”<sup>72</sup> The invalidation of the titles transformed land speculators’ claims into what one economist has called “dead capital,” for such land could no longer legally represent financial wealth.<sup>73</sup> The collateral for Blackwell’s bank was to come not from ordinary settlers taking out loans but from wealthy land speculators, including at least some of the proprietors of the Million Purchase. Andros’s land policy now made that impossible.<sup>74</sup>

Political instability contributed to the bank’s failure. Since the Massachusetts charter’s revocation, the colony had witnessed two regime changes and was about to see another. The empire’s authority at the provincial level was weak well before Andros’s arrival, and royal officials evidently had little incentive to enforce imperial rule. In 1686, Edmund Randolph complained that “the Independent faction still prevails,” protesting that “they have put Captain Blackwell, Oliver’s Treasurer in London [and] a violent commonwealths man to be... a man consulted in all public affairs,” while “the accounts of the late Treasurers & whatever else relates to the discovery of his Majesties Revenue is kept from my knowledge.”<sup>75</sup> But Randolph, along with another royal official, John Usher, was a Million Purchase proprietor. Usher even provided Blackwell with paper for the

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<sup>72</sup> “Diary of Samuel Sewall, 1675-1729, Vol. I, 1674-1700,” *Collections of the Massachusetts Historical Society* 5 (1878): 251.

<sup>73</sup> Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 6-16.

<sup>74</sup> Dror Goldberg, “Why Was America’s First Bank Aborted?” *The Journal of Economic History* 71, no. 1 (2011): 211-222. Goldberg writes: “the writs sealed the bank’s fate. It was the first direct and formal attack on titles, making it clear that *all titles were worthless*. Four days later, on July 16th, right after the Sabbath, Blackwell aborted the bank” (218).

<sup>75</sup> Green, Hassam, and Winthrop, “John Blackwell, Jr.,” 23-4; *Oxford DNB*, “Blackwell, John.”

bank bills! Uncertainty regarding Massachusetts's political future, exacerbated by a weak display of imperial authority on the ground, may have impeded people's confidence in the bank, even if Andros had not arrived when he did.

Finally, Anglo-Indian relations affected land security. Some of the Native American deeds that Andros invalidated in July of 1688 were already ambiguous. Richard Wharton's 1684 agreement with the Wabanaki in Maine, for example, preserved Indian authority over the land, even as the Wabanaki signed that land away. Over the next few years, Indians contested the right of English settlers to be in northern New England. Andros traveled to the Maine coast in May of 1688 to assuage Wabanaki concerns, promise their protection under James II, and urge them to live peacefully with their English neighbors. When tensions led to violence and a group of Indians fired on English cattle trampling their cornfields near Saco later that summer, only Andros could restore order. His arrest the following spring undermined the Indians' trust in the English, and they refused to recognize the ad hoc government that deposed the governor. That summer, the Wabanaki raided English villages in Maine and New Hampshire. Settlers fled south, and for the next thirty years, northern New England would be contested ground. The prospect of war with the Wabanaki spreading to Massachusetts threatened colonial land tenure across New England.<sup>76</sup>

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<sup>76</sup> Jenny Hale Pulsipher, "'Dark Cloud Rising from the East': Indian Sovereignty and the Coming of King William's War in New England," *The New England Quarterly* 80, no. 4 (2007): 588-613; "America and West Indies: July 1688," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 12 1685-1688 and Addenda 1653-1687* (London, 1899), 565-576, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol12/pp565-576> (hereafter *BHO*); "America and West Indies: August 1688," 576-593, *BHO*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol12/pp576-593>

Blackwell seized an opportunity to move to Pennsylvania after his bank failed. William Penn, Pennsylvania's Quaker proprietor, had appointed Blackwell deputy lieutenant governor of his "holy experiment" earlier that summer. Rather than give up on the bank of credit, Blackwell reincarnated it in a treatise he dedicated to Penn. He cancelled the Boston bank's Articles of Association, accepted the Governor's commission, and by the late fall was bound for Philadelphia.<sup>77</sup>

Spiritual, social, and economic reform were important components of Quaker life in North America, and the three were deeply intertwined.<sup>78</sup> Familiar with the English economic literature of the 1670s and 1680s, Penn once proposed that the wealthy, rather than squander their riches on luxuries, bring their money to a public fund to be redistributed among the poor. "If the money which is expended in every Parish in such vain fashions could be collected in a Publick Stock, for something in Lieu of this extravagant and fruitless Expense," he wrote in 1682, "there might be Reparation to the broken Tenants, Work-Houses for the Able, and Almshouses for the Aged and Impotent." A Christian society, Penn urged, could not exist where a wealthy few subjected the poor

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<http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol12/pp576-593>; "America and West Indies: October 1688," 596-616, *BHO*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol12/pp596-616>; James Phinney Baxter, ed., *Documentary History of the State of Maine: Volume 6 Containing The Baxter Manuscripts* (Portland: Maine Historical Society, 1900), 419-420.

<sup>77</sup> Joseph Dorfman, "Captain John Blackwell: A Bibliographic Note," *The Pennsylvania Magazine of History and Biography* 69, no. 3 (1945): 233-242.

<sup>78</sup> John E. Pomfret, *Colonial New Jersey: A History* (New York: Charles Scribner, 1973), 35-45; Melvin B. Endy, *William Penn and Early Quakerism* (Princeton, NJ: Princeton University Press, 1973), 63-92.

to dependence. First in West Jersey and then in Pennsylvania, Penn sought to create this society.<sup>79</sup>

The first proposal for a bank of credit in the Quaker middle colonies came from Thomas Budd, an original West Jersey proprietor who later became a prominent Philadelphia merchant.<sup>80</sup> In his 1685 treatise, *Good Order Established in Pennsylvania & New-Jersey*, Budd proposed improvements to trade, agriculture, and education. Historians referencing Budd's essay have tended to emphasize its appeals to universal education, descriptions of the environment, and depictions of Anglo-native relations in the Delaware River Valley.<sup>81</sup> They have paid less attention to the portions of the essay dedicated to Budd's economic program. Taken together, his proposals formed a larger program of social and economic reform not unlike that of England's Invisible College.

Budd's economic program provided for two main institutions: a public bank of credit and public storehouses. The bank of credit would lend paper "bills of exchange" made transferable by the assembly "and thereby be as ready Monies, and do much to the Benefit of Trade." Unlike Blackwell's bank bills of credit, which had the personal reputation of the bank's managers, the paper money that Budd envisioned based credit on

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<sup>79</sup> Penn as quoted in Endy, *Penn and Quakerism*, 346-347. See also Edward C. Beatty, *William Penn as Social Philosopher* (New York: Octagon Books, 1975), 283-301.

<sup>80</sup> John Pomfret, "The Proprietors of the Province of West New Jersey, 1674-1702," *Pennsylvania Magazine of History and Biography* 75, no. 2 (April, 1951): 117-146; Pomfret, *Colonial New Jersey*, 46.

<sup>81</sup> For example, see Thomas Woody, *Early Quaker Education in Pennsylvania* (Teachers College, Columbia University, 1920), 36-40; Peter O. Wacker, *Land and People: A Cultural Geography of Preindustrial New Jersey Origins and Settlement Patterns* (New Brunswick, NJ: Rutgers University Press, 1975), 44-46; David Hackett Fischer, *Albion's Seed: Four British Folkways in America* (New York: Oxford University Press, 1989), 534-536.

people's faith in the Quaker constitutions. The provincial governments of West Jersey and Pennsylvania, Budd pointed out, had "fundamental Laws" preserving "Man's liberty and property." (In West Jersey, the laws formed the Concessions and Agreements of 1677.) Budd thus linked credit, credibility, and trust to self-government. A public registry, Budd elaborated, would record the value of all borrowers' lands and houses, which would provide the security for the bills of exchange. Alternatively, people could bring their produce, cloth, or other goods to the public storehouse, "the owner at liberty to take [them] out at his own will and pleasure, or to sell, transfer or assign it to any other." All deposits would be recorded, and the storehouse would issue paper receipts that would "pass from one man to another all one as money."<sup>82</sup>

A widely circulating currency, Budd proffered, would enable Pennsylvania and New Jersey settlers to

Carry the Trade briskly, to the great benefit and advantage of some hundreds of People that we set to work, and to the supplying of the Inhabitants with Cloth made of Flax, grown, dressed, spun and wove in our own Provinces; which Trade we could not manage and carry on without this credit, but having this credit, we go on with our Trade comfortably.

In addition to a linen industry, paper money would help establish whale fisheries, woolen factories, glass-houses, an iron-works, and rapeseed mills in the middle colonies. Budd catalogued produce that he believed (often mistakenly) was suited to the mid-Atlantic climate, from grapes and cherries to rice and flax. There were pine trees to produce pitch

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<sup>82</sup> Thomas Budd, *Good Order Established in Pennsylvania & New-Jersey in America* (Philadelphia, 1685), 2, 17-18, 12.

and tar, clay to manufacture pottery, and wheat to make flour. All of these activities would put people to work, increasing employment and fostering social harmony.<sup>83</sup>

Budd drew on earlier English proposals to suggest that paper money would help create new wealth. Suppose a West Jersey yeoman purchased a farm, but spent all of his money on improvements to the land before purchasing livestock. According to Budd's plan, the yeoman could mortgage part of the farm to the public bank for bills of exchange. In turn, he could use the bills to purchase "Oxen, Horses, Cows, Sows, Sheep and Servants, by which [he] will be enabled to carry on [his] Husbandry to great advantage, and the benefit of the Province in general." In under three years, the yeoman would have sufficient profits to repay the loan; in another three years, he could deposit additional profits into the bank for more bills of exchange. Those bills would enable the farmer to purchase more capital and labor for improvements, increasing productivity and profits. The process would repeat, *ad infinitum*.<sup>84</sup>

As with New England, in the middle colonies, land security was a necessary precondition for any bank collateralized by real estate mortgages. Budd and other early Quaker settlers tried to bolster their land claims against speculators, proprietors, and the crown with Native American deeds.<sup>85</sup> Yet as we have seen in New England's case, English settlers' actual dominion over the land that they claimed remained fragile before, and in the two decades after, the Anglo-French imperial wars spread to North America in 1689. These wars subsumed existing conflicts between Europeans and Native Americans

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<sup>83</sup> Budd, *Good Order Established*, 19.

<sup>84</sup> Budd, *Good Order Established*, 19-20.

<sup>85</sup> A copy of a Deed from the Indian Sachamakers to Thomas Budd, June 4, 1687, Jonah Thompson Collection, Historical Society of Pennsylvania (hereafter HSP).

into a larger struggle for the continent, fueling native resistance to settler colonialism. Ultimately, the Anglo-French rivalry played a large role in decimating and displacing those populations. By the mid-eighteenth century, the spread of violence and disease had severely curtailed Native Americans' ability to resist European colonization and land claims.<sup>86</sup>

Tenuous land tenure in late seventeenth-century West Jersey and Pennsylvania made Budd's bank proposal impracticable. In West Jersey, land insecurity resulted in part from ambiguous proprietary rights. Charles II failed to confirm the titles of Sir George Carteret and John Lord Berkeley in 1674, precluding their right to govern. Edward Byllynge, who purchased Carteret's share, promised West Jersey colonists the "fundamental" right to self-government in the 1677 Concessions and Agreements, even as his own title went unconfirmed. When the Duke of York confirmed Byllynge's right to govern in 1680, the absentee proprietor threatened to come to West Jersey to rule the colony, prompting residents to elect their own governor. The next proprietor, the royal physician Daniel Coxe, pledged to protect the settlers' right to self-government, before

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<sup>86</sup> The impact of the Anglo-French imperial wars on Native American communities has been well documented. See Ian K. Steele, *Warpaths: Invasions of America* (New York: Oxford University Press, 1994); Wayne E. Lee, *Empires and Indigenes: Intercultural Alliance, Imperial Expansion, and Warfare in the Early Modern World* (New York: New York University Press, 2011); Allan Galley, *The Indian Slave Trade: the Rise of the English Empire in the American South, 1670-1717* (New Haven, CT: Yale University Press, 2002); Kevin Sweeney and Evan Haefeli, *Captors and Captives: the 1704 French and Indian Raid on Deerfield* (Amherst: University of Massachusetts Press, 2003); Daniel K. Richter, *The Ordeal of the Longhouse: the Peoples of the Iroquois League in the Era of European Colonization* (Chapel Hill: University of North Carolina Press, 1992); Richard White, *The Middle Ground: Indians, Empires and Republics in the Great Lakes Region, 1650-1815* (Cambridge: Cambridge University Press, 1991); Colin G. Calloway, *The Western Abenakis of Vermont, 1600-1800: War, Migration, and the Survival of an Indian People*. Norman: University of Oklahoma Press, 1990).

buying up huge tracts of New Jersey land for speculation. Coxe lacked the authority to guarantee settlers anything, for the king had never confirmed his title.<sup>87</sup>

The running contest between resident and absentee proprietors in West Jersey came to nothing when in 1688, James II ordered Edmund Andros to annex the Jerseys and New York to the Dominion of New England government. While Jersey settlers did not rebel against Dominion officials as New Englanders did, the king's intervention underlined how fragile the resident proprietors' claim to the right of government really was. The public bank of credit and public storehouses that Budd proposed might have succeeded if settlers asserted the primacy of the 1677 Concessions, including their right to self-government through the provincial assembly. Ultimately, however, royal rule destabilized the Quaker fundamentals that ensured the property rights needed to secure paper money.<sup>88</sup>

With Pennsylvania, William Penn hoped to avoid the proprietary disputes that afflicted West Jersey's early history. Like the West Jersey Concessions, Pennsylvania's 1682 Frame of Government guaranteed religious freedom and property rights, while Penn urged his council to care for the poor. Peopled by indentured servants, yeomen, and artisans who fled England for religious and economic motives, plus a smaller group of affluent merchants, Pennsylvania grew rapidly in its first few years. By the time Blackwell arrived to govern in December of 1688, however, Penn's holy experiment appeared to be a dismal failure. Many early settlers opposed the limitations on the assembly and property requirements for citizenship contained in the 1682 Frame, and a

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<sup>87</sup> Pomfret, "Proprietors of West New Jersey."

<sup>88</sup> Pomfret, *Colonial New Jersey*, 64.

Quaker anti-proprietary faction led by Thomas Lloyd eventually took control of the provincial legislature. When Blackwell arrived, an anti-proprietary alliance dominated the colonial government. This faction's merchants disputed the proprietor's allocation of the best Philadelphia lots to favorites, while landowners across the social spectrum opposed Penn's land policy and resisted it by refusing to pay quitrents.<sup>89</sup>

As lieutenant governor, Blackwell's responsibilities included collecting the quitrents, enforcing the charter, and administering justice—all ordinary functions of government that Penn could not carry out. But Lloyd and his anti-proprietary faction defied Blackwell, hiding Penn's instructions from the Puritan captain and refusing to approve judicial nominees. When Blackwell retaliated by removing Lloyd from the council, Lloyd invoked the rights of the assembly. Pennsylvania historians have tended to place Blackwell in the context of anti-proprietary resistance to explain why the governor failed to accomplish anything. Instead of a leader, he appeared to be the hapless victim of factious politics.<sup>90</sup>

While there is truth to this characterization, Blackwell's efforts to bring a bank of credit to Pennsylvania helped spread new ideas about money and value throughout the Quaker middle colonies. In February of 1688/89, Blackwell met Thomas Budd for the first time during a council session in Philadelphia. Budd and five others were appearing before the council to present "their design for setting up a bank of money." Blackwell,

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<sup>89</sup> Endy, *Penn and Early Quakerism*, 348-377; Beatty, *William Penn as Social Philosopher*, 287-288; Gary B. Nash, *Quakers and Politics: Pennsylvania, 1681-1726* (Princeton, NJ: Princeton University Press, 1968), 49-83, 97-114.

<sup>90</sup> Nicholas B. Wainwright, "Governor John Blackwell," *The Pennsylvania Magazine of History and Biography* 74, no. 4 (1950): 457-472; *Oxford DNB*, "Blackwell, John."

who may or may not have read Budd's *Good Order Established*, informed the group "that some things of that Nature had been proposed and Dedicated to the proprietor, by himself, some months since, out of New England." He hoped to receive an answer from Penn soon, but had no objections to the group passing bills of exchange as money among themselves in the meantime.<sup>91</sup>

Before leaving New England, Blackwell had revised "A Discourse in Explanation of the Bank of Credit" for printing in London under the title *A Model for Erecting a Bank of Credit*. He distributed some copies of the new text around Boston in early 1688. After being appointed deputy lieutenant governor of Pennsylvania, Blackwell sent a copy to Penn. In a letter to the proprietor sent shortly after the February council session, Blackwell referenced "a small treatise I dedicated to your self touching a Bank of Credit proposed to have been Erected in New England."<sup>92</sup>

Wanting to convince Penn of the necessity of such a bank in Pennsylvania, Blackwell's correspondence sketched a dismal portrait of the Quaker commonwealth. "The poorer sort of people are oppressed by the wealthier traders," he observed, who sold imported commodities for three to four times what they cost in England. It was unjust, extortionist, and covetous, Blackwell told Penn, "for which God charged his people of old and told us in the new testament, tis Idolatry." He lamented, "O what's become Sir of the spirit of the old puritans of England, who made it a conscience in London (within my

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<sup>91</sup> "At a Councill Roome at Philadelphia," 7 February 1688/89, in Samuel Hazard, ed. *Minutes of the Provincial Council of Pennsylvania from the organization to the termination of the proprietary government, Volume 1* (Philadelphia, 1852), 236.

<sup>92</sup> John Blackwell to William Penn, February 1688/89, John Blackwell correspondence to William Penn, 1688-99 [transcripts], HSP; Dorfman, "Captain John Blackwell"; Dorfman, *Economic Mind*, 103; Horsefield, "The Origins of Blackwell's *Model*."

memory) whether they might lawfully and with a good conscience receive above one penny in the shilling profit in their tradings?” Such restrictions against unjust pricing and usury had defined Puritan economic culture in old and New England for much of the seventeenth century. More recently, Blackwell insinuated, those restrictions had unraveled.<sup>93</sup>

Like Joseph Dudley in Massachusetts, Blackwell believed that colonists exacerbated their economic troubles with coin clipping. With the exportation of sterling from England to the colonies prohibited, colonists used foreign coins to conduct local trade. Pennsylvania settlers routinely clipped or shaved the edges of these coins, raising their denomination “to double [their] intrinsic value,” according to Blackwell at least. The burden, he suggested, inevitably fell on the poorest colonists. Coin clipping drove up the prices retailers, and in turn consumers, had to pay for imports, while multiplying the profits of the wealthiest import merchants. Blackwell reasoned that raising coins also diminished land values, which not only discouraged people from improving the country but also affected the value of Penn’s quitrents. The proprietor, he warned, would soon be “reduced to nine pence,” along with his “whole Province, till it be come not to be worth a Groat.”<sup>94</sup>

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<sup>93</sup> Blackwell to Penn, HSP.

<sup>94</sup> Blackwell to Penn, HSP. As Dorfman and others have pointed out, Blackwell’s 1688 published proposal contained an appendix to the original scheme that denounced the practice of raising coins, which continued legally under Governor Andros. Blackwell argued in his published treatise and in his letter to Penn that a bank of credit would eliminate the need to raise coins because such a bank would encourage manufacturing and thus increase exports. This, in turn, would bring specie back in to the colonies. See Dorfman, *Economic Mind*, 101-104.

Money scarcity, not coin clipping (which was a response to money scarcity) was the underlying issue. While Blackwell and other public leaders in England and the colonies denounced clippers for invading royal prerogative, ordinary people clipped coins because it created more nominal value to go around. Although an important notion underscored the practice—that a local community could imbue specie with value that exceeded the security its silver weight constituted—it was not a long-term solution to the problem of money scarcity.<sup>95</sup>

A bank of credit, on the other hand, would not only alleviate local money scarcity but also improve the lot of the poor and impose order on unruly Pennsylvania. The proprietor was not opposed to the idea of a bank, forwarding Blackwell a similar scheme by Edward Roberts, Blackwell's old colleague under Cromwell.<sup>96</sup> Years later, Penn even predicted that colonists would not stop clipping coins “unless Murry's Bank were practicable and paper Credit, in lieu of [specie].”<sup>97</sup>

Notwithstanding the proprietor's cautious support for a bank of credit, Blackwell's design could never succeed in such a climate of political instability as Pennsylvania's, where the person with the legal authority to govern was perceived as illegitimate by those he claimed to rule. Indeed, Penn's government was barely visible:

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<sup>95</sup> Malcolm Gaskill, *Crime & Mentalities in Early Modern England* (Cambridge: Cambridge University Press, 2000), 123-60.

<sup>96</sup> Dorfman, *Economic Mind*, 105.

<sup>97</sup> Beatty, *William Penn as Social Philosopher*, 204-210; “America and the West Indies: April 1703,” in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 21, 1702-1703* (London: His Majesty's Stationery Office, 1913), 349-369, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol21/pp349-369>. Penn seems here to be referencing Murray, *Corporation-credit*.

courts met sporadically, the assembly convened once or twice a year, and the council remained in recess for months at a time. As anti-proprietary sentiment grew, Penn became more feudalistic, sending Blackwell to subordinate his colonists and collect the quitrents. Colonists flouted Penn's right to govern and created havoc for Blackwell, their political squabbles impeding the assembly's pursuit of greater autonomy.<sup>98</sup>

Still, the Quaker middle colonies offered greater land security than New England, where political instability and the prospect of war with the Wabanaki threatened colonial land tenure. The Quaker constitutions protected property rights, while under Penn those governments negotiated far friendlier relations with Native Americans than Massachusetts.<sup>99</sup> At the same time, Pennsylvania settlers refused to pay quitrents, which Blackwell pointed out drove down land values. For a bank to function, both land tenure and land values had to be stable. The provincial government's paralysis made Budd's bank as poor of a fit as Blackwell's for late seventeenth-century Pennsylvania. Paper money failed in Restoration America due to land insecurity, itself the result of unstable land values, regime changes, Native American resistance, and ambiguous rights to government characteristic of the English colonizing project.

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England's 1688 Glorious Revolution precipitated a brand-new era in colonial economic thought and practice. It began haltingly in April of 1689, when the

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<sup>98</sup> Endy, *Penn and Early Quakerism*, 368-370.

<sup>99</sup> Jean R. Soderlund, *Lenape Country: Delaware Valley Society Before William Penn* (Philadelphia: University of Pennsylvania Press, 2014), 149; Jane Merritt, *At the Crossroads: Indians and Empires on a Mid-Atlantic Frontier, 1700-1763* (Chapel Hill: University of North Carolina Press, 2003), 3.

Massachusetts Puritans deposed Governor Andros. Led by Increase Mather, the Puritans accused Andros of withholding information about William and Mary's ascension. Ironically, the governor's toppling created a political vacuum in New England as news of war with the French reached North America. An ad hoc government of dubious legality, called the "Council for the Safety of the People" and composed of former Puritan magistrates, failed to raise the volunteers needed to protect northern New England from French and Indian incursions. As one commentator explained of colonists' reluctance to go fight, "some questioned their pay, some authority for the press, and few or none went."<sup>100</sup> That summer, Wabanaki raiding forced the Council of Safety to levy new taxes. According to one diarist, the taxes were "hardly digested by the people," and "many went to prison for refusal" to pay.<sup>101</sup>

In the summer of 1690, the Council of Safety convinced the neighboring governments of New York, Connecticut, and Plymouth to join themselves and the Iroquois in invading French Canada. Ravaged by smallpox, the land army never made it to Montreal, and the armada bound for Quebec fared worse. Commanded by Sir William Phips, famous for discovering buried Spanish treasure a few years before, the colonial navy was effortlessly defeated by French troops. A third of the soldiers perished on the

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<sup>100</sup> "America and West Indies: July 1689," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 100-113, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp100-113>.

<sup>101</sup> Benjamin Bullivant, "Mr. Bullivant's Journall of the Proceedings from the 13 Feb. to the 19<sup>th</sup> of May, 1689/90," *Proceedings of the Massachusetts Historical Society* 16 (1878): 104.

journey home from disease or drowning. Phips absconded to London, leaving Massachusetts with a £40,000 debt.<sup>102</sup>

Unable to raise money through taxes, the Council of Safety took the unprecedented step of printing £7,000 of bills of credit on copper plates, which it issued to soldiers as “debentures,” or vouchers, in lieu of specie. The paper money instantly depreciated, and critics were quick to blame the ad hoc government. “The present way of money is bank-papers issued by the Treasury to pass as money,” James Lloyd wrote to England, which by January of 1690/1 were “already sunk to half price.”<sup>103</sup> John Usher, now the royal governor of New Hampshire, accused Mather of conspiring to defraud the soldiers out of their money. “It has been a sad thing for the country,” Usher wrote of the failed expedition, “and now, to cheat the men, we have paper-money of which you may buy £20 with £13 in cash.” Another observer lampooned the Council of Safety for “stopping the mouths of soldiers and seamen by a new mint of paper-money.”<sup>104</sup>

The Massachusetts paper money of 1690 lacked the provisions that gave money value. Bills of credit were convertible to specie in theory, but not in practice. The Council of Safety could not secure the money with land because Andros had voided all the

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<sup>102</sup> Cotton Mather, *Magnalia Christi Americana: Or, The Ecclesiastical History of New-England, Volume 1*, eds. Thomas Robbins and Samuel G. Drake (London, 1702; Hartford, CT, 1855), 190-193. Page references are to the 1855 edition.

<sup>103</sup> “America and West Indies: January 1691,” in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 375-384, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp375-384>.

<sup>104</sup> “America and West Indies: February 1691,” in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 384-393, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp384-393>.

colonial land titles as Dominion of New England governor, and it would be 1691 before the new king and queen reconfirmed them. Nor could the ad hoc government make the paper money of 1690 legal tender in payments, because to do so would have looked like an invasion of royal prerogative when Increase Mather and William Phips were in London, trying to negotiate a favorable new charter. This meant that both private and public creditors, including the soldiers, could not be forced to take it.

Wanting the credibility of a legitimate regime, the only real basis for the money's value was that it *could* be accepted by the Massachusetts treasury in the payment of taxes. The first bills of credit thus represented government IOUs. An order of 1690 abating the legal tender value of country produce would have effectively increased the value of paper money, by making the country produce worth less than the money in the payment of taxes. That order, one economic historian has argued, may have made paper money a “de facto” legal tender.<sup>105</sup>

Eventually the paper money stabilized, which enabled the ad hoc government to raise the initial £7,000 limit on its quantity to £40,000 in May of 1691. The treasury at that point promised to pay 5 percent interest on the new bills of credit. This, however, resulted in hoarding. The problem with the policy, opponents of the ad hoc government pointed out, was that only current holders of bills benefitted from the new interest bearing measure, while “it did not restore to the poor soldier what he had lost” due to

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<sup>105</sup> Dror Goldberg, “The Massachusetts Paper Money of 1690,” *The Journal of Economic History* 69, no. 4 (2009): 1092-1106.

depreciation.<sup>106</sup> As a result, many colonists preferred to keep the interest-bearing bills rather than use them to trade or pay taxes, rendering them useless in the present. “Our paper-money has ruined us,” Francis Foxcroft explained in a letter to Francis Nicholson in October of 1691; “We cannot with all our [taxing] get it into the Treasury, and till then not a penny can be had.”<sup>107</sup>

In the fall of 1691, Cotton Mather and John Blackwell (who had returned to Boston) wrote essays in support of the new currency. They rejected critics’ suggestion that paper money only served the interests of the wealthy and powerful. On the contrary, Mather argued, it symbolized “the *Credit of the whole Country*.” Employing the corporal imagery of the body politic, he continued that “*all the Inhabitants of the Land, taken as one Body are the Principals, who Reap the Benefits, and must bear the Burdens, and are the Security in their Publick Bonds.*”<sup>108</sup> Responding to those who doubted the government’s authority to issue bills of credit, Blackwell linked the colonial prerogative to make money to people’s faith in the Protestant succession, calling it “a *Treason* against the Crown of *England*, for any to intimate, that we have no Government for, and so no *Protection* from, that Crown.”<sup>109</sup> The pair insinuated that receiving paper money for less

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<sup>106</sup> Thomas Hutchinson, *History of Massachusetts, from the First Settlement Thereof in 1628, Until the Year 1750, Volume 1*. 3<sup>rd</sup> ed. (Boston, 1767; Salem, MA, 1795), 356-357. Page references are to the 1795 edition.

<sup>107</sup> “America and West Indies: October 1691,” in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 13, 1689-1692*, (London: Her Majesty's Stationery Office, 1901), 549-563, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp549-563>.

<sup>108</sup> [Cotton Mather], *Some Considerations on the Bills of Credit Now passing in New-England* (Boston, 1691), in *CCR* 1:189-195.

<sup>109</sup> [John Blackwell], *Some Additional Considerations Addressed unto the Worshipful Elisha Hutchinson* (Boston, 1691), in *CCR* 1: 197-206.

than face value cheated valiant soldiers and seamen of their pay.<sup>110</sup> To intentionally debase bills of credit, Blackwell added, “is in Effect to leave the Country without all manner of Defense...which is a Moral Madness we should upon no terms render our selves guilty of.”<sup>111</sup>

In 1692, Increase Mather and William Phips finally returned from London with the new royal charter. Mather had negotiated several favorable concessions. In exchange for the charter reserving a dependence on the crown, the council would be chosen by a legislative assembly, and while future governors would be commissioned by the king, Mather had the privilege of nominating Phips to be the first royal governor. By restricting the exercise of royal prerogative while at the same time securing for Massachusetts colonists the rights of Englishmen, the royal charter created a semi-autonomous provincial community within the English nation.<sup>112</sup>

Inheriting the Massachusetts paper money of 1690 and 1691 gave the new royal government a sense of continuity, while breathing new life—and credit—into the money itself. Unlike the ad hoc Council of Safety, the provincial assembly of 1692 was authorized to pass legislation making bills of credit “pass current” in payments for the sum expressed on the face at a one-to-one ratio with sterling. The English pound would thus remain the colony’s unit of account. The same legislation provided for taxing a

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<sup>110</sup> [Mather], *Some Considerations*, 195; [Blackwell], *Some Additional Considerations*, 201.

<sup>111</sup> [Blackwell], *Some Additional Considerations*, 204. See also Dorfman, *Economic Mind*, 106-108.

<sup>112</sup> Jack M. Sosin, *English America and the Revolution of 1688: Royal Administration and the Structure of Provincial Government* (Lincoln: University of Nebraska Press, 1982), 128-141; Philip S. Haffenden, *New England in the English Nation, 1689-1713* (Oxford: Clarendon Press, 1974), 38-71.

portion of the money out of circulation each year. Income from future government revenues would provide the security for the bills.<sup>113</sup>

Cotton Mather attributed the bills' enhanced value after the royal charter's arrival to Governor Phips's generosity. "That which helped these bills unto much of their credit," Mather later recalled, "was the generous offer of many worthy men in Boston to run the risk of selling their goods reasonably for them...General Phips was in some sort the leader; who...cheerfully laid down a considerable quantity of ready money for an equivalent parcel of them."<sup>114</sup> Mather exaggerated—people's confidence in the bills came more from specific provisions the assembly established to secure their value than from the gentry's magnanimity.

In July of 1692 to acknowledge Massachusetts's new status as a royal province, the government began requiring that all bills paid out be endorsed on the back. Later that year, all paper money was made legal tender—it had to be accepted in all public and private payments at face value. In June of 1694, outstanding unendorsed bills were called in to the treasury for exchange or to be endorsed by the treasurer, James Tailor.<sup>115</sup> With these provisions and good management, bills of credit made by the provincial assembly for the duration of King William's War, Thomas Hutchinson later chronicled in *The History of Massachusetts*, "obtained good credit at the time of their being issued. The

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<sup>113</sup> "An Act for Making the Former Bills of Credit to Pass Currant in Future Payments," in Ellis Ames, Abner Cheney Goodell, and Melville Madison Bigelow, eds., *The Acts and Resolves, Public and Private, of the Province of Massachusetts Bay, Vol. 1* (Boston, 1869), 35-36.

<sup>114</sup> Mather, *Magnalia Christi Americana*, 174.

<sup>115</sup> Newman, *Early Paper Money of America*, 157-180.

charges of government were paid in this manner from year to year. Whilst the sum was small, silver continued the measure, and bills continued their value.”<sup>116</sup>

While Massachusetts’s revolution in public finance and the English “financial revolution” were both made possible by the Glorious Revolution and outbreak of a second “Hundred Years’ War” with France, the colonies and England diverged after 1690 in theory and practice. The English financial revolution has been well documented by scholars. The professionalization of the tax system and the emergence of long-term public borrowing to fund government debts during the war transformed the “fiscal-military state.” Taxing and spending were centralized under the new Treasury Board, while the Bank of England, chartered in 1694, became the state’s primary lender.<sup>117</sup>

Just as important as these institutional changes was the “Great Recoinage” of 1696, led by the English philosopher John Locke. Intended to restore the nation’s monetary system, the Great Recoinage expressed a controversial new idea of money, not as a domestic currency founded on the public credit but as an international commodity

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<sup>116</sup> Hutchinson, *History of Massachusetts*, 357.

<sup>117</sup> In addition to issuing interest bearing bills to the government, the Bank of England accepted deposits and issued loans, bills of exchange, and bank notes secured by a fractional silver reserve to private customers. However, while the bank notes were transferable, they did not come in small enough denominations for everyday trade, and therefore remained unused by most Englishmen. John Brewer, *The Sinews of Power: War, Money and the English State, 1699-1783* (London: Unwin Hyman, 1989), 88-134; Wennerlind, *Casualties of Credit*, 108-111. See also Henry G. Roseveare, *The Financial Revolution, 1660-1750* (London: Longman, 1991); P. G. M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756* (New York: St. Martin’s Press, 1967); Bruce G. Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution* (Princeton, NJ: Princeton University Press, 1996); Charles Ivar McGrath and Christopher J. Fauske, eds., *Money, Power, and Print: Interdisciplinary Studies on the Financial Revolution in the British Isles* (Newark: University of Delaware Press, 2008).

found in nature. Because worn and clipped coins were recoined at the old standard of weight, moreover, the recoinage contracted England's actual money supply. Some commentators advocated making up for the loss of coin with paper money. Remarking in 1696 on the importance of local trade and manufactures to the health of the domestic economy, John Blackwell (who had since returned to London) proposed exchanging the old silver money with "bills of credit made current as moneys by Act of Parliament" and secured by Parliamentary taxes.<sup>118</sup> The appeals of Blackwell and others for a circulating credit currency ultimately flailed against Locke's scheme. On the whole, the English financial revolution facilitated government borrowing on an immense scale, while strengthening the London mercantile community that funded such borrowing. At the same time, the Great Recoinage made the nation's money scarcity worse.<sup>119</sup>

Colonial paper money had credit based on people's faith in the 1688 Protestant succession and in the provincial assemblies produced by the Glorious Revolution. While most colonies would eventually issue paper money on the land bank principle, the first bills of credit were emancipated from land policy. Instead, the Massachusetts paper money of 1690 and 1691—followed by that of South Carolina in 1702, New Hampshire, Connecticut, New York, and New Jersey in 1709, and Rhode Island in 1710—was backed by future tax revenues to be collected by the provincial assembly. In other words,

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<sup>118</sup> John Blackwell, "An Essay, Towards Carrying on the Present warr, Against France, and other Publique Occasions..." [1695?], MS copy, Trumbull Papers, vol. 373, no. 1, Economic Tracts: 1695-1696, pp. 4-15, BL.

<sup>119</sup> Desan, *Making Money*, 130-131; Wennerlind, *Casualties of Credit*, 134-155; Appleby, *Liberalism and Republicanism in the Historical Imagination*, 62-65; J. G. A. Pocock, *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century* (Cambridge: Cambridge University Press, 1985), 103-123.

paper money issues matched by future government income streams were secured by the issuer's assets, and they thus derived their value.<sup>120</sup> As Cotton Mather put it in 1691, "are not *Taxes* paid and received by *mutual Credit* between the Government and the People, the Government requiring the Country to give them Credit where-with to pay the Countries Debts, and then again receive the same Credit of the Country as good pay?"<sup>121</sup> Ultimately, paper money's credit came from people's trust in the colonial government's ability to collect the taxes that secured such money.

Backed by public faith and future taxes, paper money was just one of various experiments that sought to overcome the scarcity of money caused by specie dependence in the English Atlantic world. It in fact created a new regime of value in early America that was reflected in the political ordering of colonial society. For colonial publicists writing throughout the first half of the eighteenth century, paper money was therefore not only the "sinews" of trade but also the "blood" that nourished the body politic, which, if diminished (as it sporadically was in the colonies), needed to be brought back.<sup>122</sup> "Money is the Blood of the Body-Politick," wrote the author of *A Discourse Shewing the Analogy and Harmony between the Body-Natural and the Body-Politick*, published in Boston in

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<sup>120</sup> Bruce D. Smith, "American Colonial Monetary Regimes: The Failure of the Quantity Theory and Some Evidence in Favour of an Alternative View," *The Canadian Journal of Economics* 18, no. 3 (1985): 531-565; Michael F. Sproul, "There's No Such Thing as Fiat Money," Working Paper 830, Department of Economics, University of California, Los Angeles, 2003; Farley Grubb, "Is Paper Money Just Paper Money? Experimentation and Variation in the Fiat Paper Monies Issued by the Colonial Governments of British North America, 1690-1775: Part I," 1690 to 1775," NBER Working Paper W17997, National Bureau of Economic Research, Cambridge, MA, 2012.

<sup>121</sup> [Mather], *Some Considerations*, 191.

<sup>122</sup> Christine Desan, "From Blood to Profit: Making Money in the Practice and Imagery of Early America," *Journal of Policy History* 20, no. 1 (2008): 26-46.

1739. “If Blood be diminished or decayed,” the anonymous writer illustrated, “the Flesh thereupon fails, decays, wastes away.” Likewise, “if the publick Stock of Money be diminished or decayed...thereupon Trade or Commerce...decays also.” In order to prevent this from occurring, the author explained, magistrates had to “strengthen the Members of the Body politick...by giving them all needful Encouragements in their Civil-Commerce or Traffic; and by protecting them from all Injuries from one another, and from the Insults of their Enemies.”<sup>123</sup>

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<sup>123</sup> *A discourse shewing the analogy and harmony between the body-natural and the body-politick : or what agreement there is between blood and money...* ([Boston], 1739), 8-12, original copy, box 1739, MHS.

## CHAPTER TWO

### SINEWS OF WAR AND PEACE

Upon the *Difficulties* and *Necessities* which the Country hath been brought into, a better way could not well be thought upon, than the BILLS of CREDIT now passing (or that should be so) among us...The Country in the *General Court*, have *Recognized* or *Acknowledged*, a Debt of so many thousand pounds unto them that have been the Servants of the Publick. The *Credit* conveyed by these Bills now *Circulates* from one hand to another as men's dealings are, until the *Publick Taxes* call for it. It is then brought in to the Treasurers hands, from which it goes not out again. Now the *Conveniencies* which the Servants of the Publick, have had by them, have honestly paid the Countries Debts; and what could *coined Silver* have done more?

[John Blackwell] (1691)

Controversy pervaded the end of Edmund Andros's tenure as governor of the Dominion of New England. Andros had spent the spring and summer of 1688 fortifying the Maine frontier against Wabanaki raids, but taxes levied to pay for these defenses proved less popular than the protections they supplied. Some towns refused to appoint commissioners to assess their rates, while those that did struggled to collect the one shilling and eight pence poll tax and the penny per pound estate tax from the inhabitants.<sup>1</sup> A pre-existing money scarcity and increasing poverty in towns hit hard by the recent military hostilities made constables' efforts to raise taxes a painful and thankless task. "I

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<sup>1</sup> Edmund Andros arrived in 1686 with a royal commission authorizing him to "impose and assess and raise and levy such rates and taxes, as you shall find necessary for the support of the Government." When the governor ordered these rates in spring of 1687, several towns in Essex County claimed that the taxes infringed on their liberties as Englishmen, and they refused to appoint commissioners to assess and collect them. Andros responded by arresting and fining the town selectmen. During his tenure, he attempted (and largely failed) to collect royal quitrents, while other payments regularly came up short. See Alvin Rabushka, *Taxation in Colonial America* (Princeton, NJ: Princeton University Press, 2008), 163-178; Joseph B. Felt, "Statistics of Taxation in Massachusetts, Including Valuation and Population," *Collections of the American Statistical Association, Vol. I* (Boston, 1847), 263-276. Quotation is from Felt, 263.

have done my best to gather the rates ordered unto me,” one official complained to the Dominion of New England treasurer, John Usher, in May of 1688; “it is mostly Indian Corn, I could get little else, the people are very poor.” Another constable had to pay for shipping the “country corn” he had collected in Springfield to Boston himself and expressed the hope to Usher that he would be reimbursed.<sup>2</sup>

Andros’s unpopular taxation policies and the growing threat of war with France and her Indian allies fueled rumors that he had become involved in a Catholic conspiracy against English liberties and Protestantism.<sup>3</sup> In April of 1689, Puritan magistrates from the old charter government led thousands of colonial militiamen in arresting Andros, claiming that Dominion of New England officials had withheld news of England’s Glorious Revolution. Colonial agents in London had in fact framed Andros by blocking the official declaration from being delivered to Boston in the first place.

The Glorious Revolution marked the beginning of 125 years of struggle between France and the British empire. While recent scholarship has highlighted imperial warfare’s omnipresence in early American politics and society, less attention has been

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<sup>2</sup> [Thomas Copley?] to John Usher, May 9, 1688, Jeffries Family Papers, vol. 2, Massachusetts Historical Society (hereafter MHS); Edward Stebbins to John Usher, May 30, 1688, Jeffries Family Papers, vol. 2, MHS.

<sup>3</sup> On the role of anti-papery in the Glorious Revolution in America, see Jack M. Sosin, *English America and the Revolution of 1688: Royal Administration and the Structure of Provincial Government* (Lincoln: University of Nebraska Press, 1982); Owen Stanwood, *The Empire Reformed: English America in the Age of Revolution* (Philadelphia: University of Pennsylvania Press, 2011); Brendan McConville, *The Kings Three Faces: The Rise & Fall of Royal America, 1688-1776* (Chapel Hill: University of North Carolina Press, 2006).

paid to how the wars led to fiscal and monetary innovation.<sup>4</sup> Before 1690, the English colonies were extremely limited in regard to both public finance and private trade due to their chronic scarcity of gold and silver specie. The Anglo-French imperial wars assuaged these limitations by driving the creation of new paper financial instruments called “bills of public credit.”

Bills of credit began as a temporary wartime expedient that enabled poor colonial governments to pay for current military costs with future government income. To legitimate the bills conceptually, colonial thinkers and politicians drew on an existing body of theory from seventeenth-century English writers that rejected an “intrinsic” theory of value and redefined money as credit backed by security—a *representation* of value that existed elsewhere in space and time. In this way, they accelerated a shift in economic thought that began during the Interregnum (1649-60).<sup>5</sup> To justify the bills politically, on the other hand, colonial leaders had to devise a constitutional rationale that

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<sup>4</sup> For the conventional “wars for empire” interpretation of colonial warfare, see John E. Ferling, *Struggle for a Continent: the Wars of Early America* (Arlington Heights, IL: Harlan Davidson, 1993); Douglas E. Leach, *Arms for Empire: A Military History of the British Colonies in North America, 1607-1763* (New York: Macmillan, 1973); Howard H. Peckham, *The Colonial Wars 1689-1762* (Chicago: University of Chicago Press, 1964). For more recent works emphasizing the intercultural context of the colonial wars, see Steven C. Eames, *Rustic Warriors: Warfare and the Provincial Soldier on the New England Frontier* (New York: New York University Press, 2011); John Grenier, *The First Way of War: American War Making on the Frontier, 1607-1814* (Cambridge: Cambridge University Press, 2005); Allan Galley, *The Indian Slave Trade: the Rise of the English Empire in the American South, 1670-1717* (New Haven, CT: Yale University Press, 2002); Kevin Sweeney and Evan Haefeli, *Captors and Captives: the 1704 French and Indian Raid on Deerfield* (Amherst: University of Massachusetts Press, 2003); Wayne E. Lee, *Empires and Indigenes: Intercultural Alliance, Imperial Expansion, and Warfare in the Early Modern World* (New York: New York University Press, 2011).

<sup>5</sup> See William Potter, *The Key of Wealth: Or, A new Way, for Improving of Trade* (London, 1650); Samuel Hartlib, *A Discoverie for division or setting out of land, as to the best Form* (London, 1653).

did not invade the royal prerogative to mint money. They accomplished this by linking the right to issue bills of credit in wartime to the legislative power of taxation.

In making paper money backed by future tax receipts, colonial legislatures implemented novel policies that linked monetary value to the colonial fiscal and military order, while creating a circulating currency that virtually anyone could use. On one hand, paper money transformed colonial warfare by expanding legislatures' ability to spend. Just as important was colonists' widespread adoption of paper money as a medium of exchange. Ultimately, the evolution of paper money from an expedient of war into an official currency altered economic and social relations on the ground in early America by lubricating existing trade ties, and by fostering new market-based exchange relations that were impossible under the seventeenth-century's conditions of specie scarcity and barter.

These changes occurred in three stages over the course of King William's War (1688-97) and Queen Anne's War (1702-13) in North America. The first stage took place in Massachusetts during the early years of King William's War and focused on paper money's political legitimation. The second stage took place in South Carolina after the outbreak of Queen Anne's War and constituted a period of fiscal experimentation. The third stage encompassed the later years of the war, when other English colonial governments began emitting their own bills of credit and colonists embraced paper money as a medium of exchange. By 1713, paper money backed by future taxes formed the basis of a new fiscal and monetary order in early America that not only enhanced colonial legislatures' ability to spend but also encouraged trade among colonists.

Prior to 1690, money scarcity was a fact of life in the English colonies. Colonial governments and their constituents devised numerous ways, official and unofficial, of conducting exchange without specie. Typically, colonists relied on a combination of simple barter, book credit, and commodity money. The least efficient of these was simple barter, which imposed heavy transaction costs on both buyers and sellers. Barter requires a double coincidence of wants, meaning both parties in a transaction must be offering the exact product that the other desires. Moreover, without a universal equivalent such as specie by which to compare the values of and exchange qualitatively different goods and services, barter also requires a knowledge of the value of goods relative to other goods (e.g., how much corn a cow is worth). To overcome the coincidence of wants problem inherent in simple barter as well as early America's lack of a universal equivalent, colonists developed what one economist has called an "efficient barter" system. Efficient barter encompassed book credit, shop notes, tradeable bonds, bills of sale, and other forms of credit that enabled colonists to purchase goods and services on credit priced in pounds sterling.<sup>6</sup>

The use of informal book credit, or "bookkeeping barter," in particular, agreed with the face-to-face nature of most transactions in the seventeenth-century English Atlantic world. Trade relations were reciprocal and often bound by ties of kinship, religion, or ethnicity. Typical colonial account books contained running tallies of credits and debits between family members and neighbors in tightknit towns and rural

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<sup>6</sup> Farley Grubb, "Chronic Specie Scarcity and Efficient Barter: The Problem of Maintaining an Outside Money Supply in British Colonial America," NBER Working Paper 1809, National Bureau of Economic Research, Cambridge, MA, 2012.

communities. The parties in a reciprocal exchange relationship kept track of how much they owed (and were owed by) the other party, until the values of both sides cancelled each other out. At that point, the “creditor” would reckon with the “debtor,” making all accounts even before starting over again.<sup>7</sup>

Colonists used book credit to exchange household goods, food, livestock, and labor, but transactions were always recorded in pounds sterling, the colonies’ unit of account. The development of book credit enabled colonists to put aside whatever specie they had for transatlantic trade, while internal exchange embodied a culture of credit.<sup>8</sup>

Throughout the seventeenth century, colonial governments responded to money scarcity by giving the designation of currency to various local commodities. Legislatures accepted corn, cattle, peltry, and furs in the payment of taxes. Tobacco was legal tender in Maryland and Virginia, and wampum—a shell bead used in Native American rituals—served the same role in New England and Dutch New Netherland.<sup>9</sup> Foreign coins

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<sup>7</sup> See Elisha Isley Account Book, 1672-1879, Joseph Downs Collection, Winterthur Library (hereafter WL).

<sup>8</sup> John J. McCusker, *Money and Exchange in Europe and America, 1600-1775: A Handbook* (Chapel Hill: University of North Carolina Press, 1993), 117-118. For English credit culture, see Craig Muldrew, “‘Hard Food for Midas’: Cash and its Social Value in Early Modern England,” *Past & Present*, No. 170 (2001): 78-120; Deborah Valenze, *The Social Life of Money in the English Past* (Cambridge: Cambridge University Press, 2006), 34-38.

<sup>9</sup> The use of commodity money was problematic in monocrop colonies like Virginia, where tobacco overproduction and the turn to slave labor caused inflation and credit crises. Anthony S. Parent, *Foul Means: The Formation of a Slave Society in Virginia, 1660-1740* (Chapel Hill: University of North Carolina Press, 2003), 80-101. In New England and New Netherland, wampum devaluation created local exchange problems and placed excessive demand on the Indian fur trade. For the “great wampum inflation,” see Paul Einzig, *Primitive Money in Its Ethnological, Historical, and Economic Aspects* (Oxford: Pergamon Press, 1966), 166, 280-285; David Graeber, *Toward an Anthropological Theory of Value: The False Coin of Our Own Dreams* (New York:

imported by merchants were, likewise, given legal exchange rates with English sterling and accepted as payment for taxes at these rates.<sup>10</sup>

Because colonial governments gave foreign coins and commodity money a legal exchange rate with pounds sterling, colonists found them useful for conducting trade outside of reciprocal exchange relationships. Added to this mix of ad hoc monetary instruments were foreign bills of exchange, which traded at commercial exchange rates. Colonial shopkeepers typically accepted commodity money as payment for goods at or below their legal exchange rate (called “pay” or “country pay,” respectively), while the larger merchants regularly bought and sold bills of exchange that functioned as a kind of transatlantic currency, fluctuating in value according to the local supply and demand. Without a widely circulating currency, however, colonial government incomes were small and internal trade remained an inefficient and costly affair.<sup>11</sup>

The old political economic order began to crumble in 1690, when early America’s first paper money regime replaced the Dominion of New England government. Massachusetts’s “Glorious Revolution” has been well documented. In the spring of 1689,

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Palgrave, 2001), 118-127; Daniel Richter, *Trade, Land, and Power: The Struggle for Eastern North America* (Philadelphia: University of Pennsylvania Press, 2013), 105-107.

<sup>10</sup> Massachusetts and Maryland experimented with minting their own silver tokens in the mid-seventeenth century. Like other commodities and foreign coins, the silver tokens were assigned exchange rates with sterling by colonial governments. For the Massachusetts mint, see John Hull, *The Diaries of John Hull: Mint-Master and Treasurer of the Colony of Massachusetts Bay* (Boston, 1857), 282-305. For the Maryland mint, see “An Acte Concerning the Setting up of a Mint within this Province of Maryland,” in William Hand Browne, ed., *Proceedings and Acts of the General Assembly January 1637/8-September 1664, Vol. 1* (Baltimore, MD, 1883), 414-415, *Archives of Maryland Online*,

<http://msa.maryland.gov/megafile/msa/speccol/sc2900/sc2908/000001/000001/html/am1-414.html>.

<sup>11</sup> Rabushka, *Taxation in Colonial America*, 159.

a coalition of Puritans, Anglicans, political moderates, and old charter conservatives seized power from the royal government in Boston. They declared for William and Mary, formed themselves into a “Council of Safety,” and restored Governor William Bradstreet (in office from 1679 to 1686) to authority. By May of 1689, the ad hoc regime was busy compiling accusations and evidence against Dominion of New England loyalists while it awaited instructions from the crown. Official news of war between England and France arrived shortly thereafter, but in the wake of the resurgence of traditional local authorities—in Massachusetts, New York, and elsewhere—the royal defenses intended to protect colonists from the French collapsed. As the revolutionary government dismantled Andros’s fortifications and deposed his commanders, the overthrown governor’s soldiers deserted their posts. Settlers followed in the soldiers’ wake, abandoning entire towns in New Hampshire and Maine and leaving the border vulnerable to French and Indian attacks.<sup>12</sup>

People throughout the northern colonies remarked on the general crisis in colonial governance they witnessed unfold that spring and summer. “These Colonies are an epitome of the world, the universe being in confusion,” one Boston merchant declared after Andros’s arrest. “New England is still in the greatest confusion,” a Rhode Island colonist observed. “All is in confusion,” two prominent New Yorkers wrote to London.

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<sup>12</sup> Michael G. Hall, Lawrence H. Leder, and Michael G. Kammen, eds., *The Glorious Revolution in America: Documents on the Colonial Crisis of 1689* (Chapel Hill: University of North Carolina Press, 1964), 54-56. See also Philip S. Haffenden, *New England in the English Nation, 1689-1713* (Oxford: Clarendon Press, 1974); David S. Lovejoy, *The Glorious Revolution in America* (New York: Harper and Row, 1972).

King William's War had begun against a backdrop of political instability and uncertainty in North America.<sup>13</sup>

The nature of Andros's overthrow and the outbreak of imperial war created immediate financial problems. Lacking access to the Dominion of New England war chest, Massachusetts's ad hoc government spent the following year futilely trying to recruit soldiers and raise money for the Massachusetts and Maine inhabitants whose homes it had unwittingly exposed to French and Indian attacks. As long as the revolutionary regime's authority went unrecognized in England, however, colonists resisted enlistment and refused to pay taxes.<sup>14</sup>

The magistrates fared no better than Andros had in gathering taxes, due on one hand to money scarcity and on the other hand to questions surrounding their own legitimacy. Despite ordering a trade embargo and passing a law for gathering all rates and excises that were "uncollected in Sir Edmond's time," the ad hoc government, lacking imperial consent, faced widespread refusal to pay taxes. Failing to raise an adequate revenue, in August of 1689 the government ordered a loan, to be repaid out of the first taxes collected, and had the constables issue debentures (vouchers) to soldiers in lieu of money. The constables, however, would only honor the debentures at a 25 to 50 percent

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<sup>13</sup> "America and West Indies: May 1689," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 39-57, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp39-57> (hereafter *BHO*) "America and West Indies: July 1689," 82-100, *BHO*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp82-100>; "America and West Indies: August 1689," 113-127, *BHO*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp113-127>.

<sup>14</sup> William Pencak, *War, Politics, & Revolution in Massachusetts* (Boston: Northeastern University Press, 1981), 16-17.

discount to face value. It was November before the ad hoc government passed a bill for six levies, one to be paid in specie and the rest payable in commodities, “for the paying of the soldiers, and other public charges, that have arisen since the Revolution by reason of the War.” A Dominion of New England sympathizer, Benjamin Bullivant, recorded the hectic state of affairs and its negative economic impact in his diary. “Trade is so extremely fallen off in Boston,” he observed, “that no payments were made in trade, & poor people ready to eat one another or turn Levellers.”<sup>15</sup>

In the spring of 1690, the Puritan Bay colonists desperately sought to prove themselves to William and Mary. They believed that they had found a secret weapon in Sir William Phips, a treasure hunter and privateer who volunteered to attack French Port Royal in present day Nova Scotia. Phips and seven hundred Massachusetts troops captured the French base without a fight and returned to Boston with splendid plunder from Catholic churches. The revolutionary government used the victory to convince the other northern colonies to join them in invading Canada that summer. The Puritans quietly hoped that such a brazen show of loyalty would result in London restoring their old charter.

This intercolonial expedition failed spectacularly. Reports on why the invasion collapsed conflicted, with some blaming insufficient ammunition, while others pointed to the leaders’ cowardice. The journey home from Quebec was equally disastrous, some

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<sup>15</sup> Felt, “Statistics of Taxation in Massachusetts,” 269-270; Benjamin Bullivant, “Mr. Bullivant’s Journall of Proceedings from the 13 Feb. to the 18<sup>th</sup> of May, 1689/90,” *Proceedings of the Massachusetts Historical Society* 16 (1878): 105.

ships disappearing off the Atlantic coast and others arriving in Boston with half their men dead or dying of smallpox.<sup>16</sup>

The expedition's failure created a staggering debt. While most accounts estimated the colony's debt to be around £50,000 following the expedition, one Boston merchant claimed that the total loss would amount to £200,000.<sup>17</sup> Its treasury exhausted, the ad hoc government had little choice but to levy more taxes, ordering twenty rates in November of 1690.<sup>18</sup> As in the previous two years, colonists with any money to spare resisted paying the rates. "The General Court," Major Thomas Savage reported, "laid grievous taxes...which they force from those who refuse to pay."<sup>19</sup> Samuel Myles, the rector of Boston's Kings Chapel, begrudged the shroud of secrecy that surrounded the allocation of the taxes. Most soldiers remained unpaid, he noted, leaving colonists to wonder "what becomes of all the money taken from them." Myles suspected that it was being sent to Increase Mather, then in London trying to get the old Puritan charter restored.<sup>20</sup> By

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<sup>16</sup> Sylvanus Davis, "The declaration of Sylvanus Davis, Quebec, October 1690," *Collections of the Massachusetts Historical Society* 5 (1825): 101-112; Samuel A. Green, ed., *Two Narratives of the Expedition against Quebec, A.D. 1690, Under Sir William Phips* (Cambridge, MA: J. Wilson, 1901); "America and West Indies: December 1690," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 367-375, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp367-375>.

<sup>17</sup> "America and West Indies: January 1691," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 375-384, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp375-384>.

<sup>18</sup> Felt, "Statistics of Taxation in Massachusetts," 270.

<sup>19</sup> Thomas Savage, *An Account of the Late Action of the New-Englanders, Under the Command of Sir William Phips, Against the French at Canada* (London, 1691), 6.

<sup>20</sup> "America and West Indies: December 1690," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 13, 1689-1692* (London: Her

December of 1690, Thomas Hutchinson later wrote in his *History of Massachusetts*, the soldiers and seamen who had survived the Canada expedition were “upon the mutiny for want of their wages.”<sup>21</sup>

Facing new concerns over their ability to rule and failing to collect an adequate amount of taxes, the Massachusetts government invented a new financial instrument to pay its debts: the bill of public credit. On December 10, 1690, the magistrates agreed to pay £7,000 in paper bills printed from copper plates to the soldiers returned home from Canada. Two weeks later, they ordered the provincial treasurer to accept the bills in “all public payments.”

Paper money itself was not a novel idea. As the previous chapter illustrated, magistrates drew inspiration from various banking schemes that had circulated in the English colonies since the 1660s, as well as the informal “playing-card money” that French soldiers received in Canada beginning in 1686. Massachusetts’s colonial leaders built upon these and other precedents when they established the first government-issued paper currency in the English Atlantic world.”<sup>22</sup>

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Majesty's Stationery Office, 1901), 367-375, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp367-375>.

<sup>21</sup> Thomas Hutchinson, *History of Massachusetts, from the First Settlement Thereof in 1628, Until the Year 1750, Volume 1*. 3<sup>rd</sup> ed. (Boston, 1767; Salem, MA, 1795), 356. Page references are to the 1795 edition.

<sup>22</sup> Felt, “Statistics of Taxation in Massachusetts,” 271; Leslie V. Brock, *The Currency of the American Colonies, 1700-1764: A Study in Colonial Finance and Imperial Relations* (New York: Arno Press, 1975), 17-19; Rabushka, *Taxation in Colonial America*, 7; Davis Rich Dewey, *Financial History of the United States* (New York: Longmans, Green, 1903), 22; Richard A. Lester, “Playing-Card Currency of French Canada,” in *Money and Banking in Canada*, ed. E. P. Neufield (Toronto: McClelland and Stewart Limited, 1964), 9-23.

The magistrates relied on the ideas of mid-seventeenth-century English writers such as William Potter and Samuel Hartlib, who had argued that money was nothing more than credit (or trust) backed by security (the foundation of that trust).<sup>23</sup> Theoretically, bills of credit were no different. Colonial paper money's "credit" amounted to public trust in the government's promise to receive the money as payment for taxes. Its "security" comprised the real assets that those taxes represented. Legislation provided for the money's numeration, emission, and disbursement. The same legislation detailed the fiscal process that simultaneously gave paper money value in exchange and provided for its eventual retirement from circulation (briefly, future tax levies totaling the amount of money issued). Cotton Mather later recounted Massachusetts's initial efforts to create a paper currency along these lines in *Magnalia Christi Americana* (1702):

The *general assembly* first passed *an act*, for the levying of such a sum of *money* as was wanted, within such a term of time as was judged convenient; and this *act* was a *fund*, on which the *credit* of such a *sum*, should be rendered *passable* among the people...The *public debts* to the *sailors* and *soldiers*, now upon the point of *mutiny*...were in these *bills* paid immediately.

The paper money of 1690, explained Mather, was issued on the "credit" of a tax "fund." The fund was paper money's security, the real assets that imbued the bills of credit with exchange value and gave them a general acceptance among colonists. By pegging the bills' present worth to future taxes totaling "such a sum of *money* as was wanted" to pay the government's debts, the magistrates had devised a way to make paper money that did

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<sup>23</sup> Potter, *The Key of Wealth*; Hartlib, *A discoverie for division or setting out of land*.

not invade the royal prerogative to mint money. Instead, bills of credit fell under colonial legislatures' authority to raise levies for the support of the government.<sup>24</sup>

In theory, bills of credit seemed like a good idea. The magistrates believed that the soldiers and seamen who accepted the bills as wages would use them to purchase their necessities. Transferable from person to person, the bills would then circulate in trade equal to sterling until the government retired them, their credit secured by the legislature's promise to accept them as payment for taxes.

In reality, the Massachusetts paper money of 1690 amounted to credit *without* security. It was unofficial and untrustworthy, created by a regime that grew increasingly unpopular during its tenure due to its inability to mount an effective defense against the French and Native Americans. The "fund" that provided the security for the first issue of paper money was not even established until February of 1691, when the magistrates finally ordered that £24,000 be collected over the next four years, "either in the Bills of credit...or in grain or provision."

The revolutionary government lacked the authority to make bills of credit legal tender. Without that status, neither private nor public creditors (e.g., soldiers) could be forced to take it, nor did the treasury *have* to accept it as payment for taxes. The only real basis for paper money's value was the government's promise that the treasury *would* take it. To be clear, the bills' exchange value did not depend on them being legal tender, as long as the government kept its promise to retire them. Legal tender status mattered

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<sup>24</sup> Cotton Mather, *Magnalia Christi Americana: Or, The Ecclesiastical History of New-England, Volume 1*, eds. Thomas Robbins and Samuel G. Drake (London, 1702; Hartford, CT, 1855), 173. Page references are to the 1855 edition.

insofar as it required creditors to accept the bills at face value. In the context of 1690, paper money's lack of legal tender status reveals more about the colonial government's position than the bills' value. The last thing that colonial leaders wanted was to create the appearance of invading royal prerogative by making the bills legal tender at the same time that colonial agents in London were trying to procure a favorable new charter.<sup>25</sup>

Consequently, the soldier who accepted bills of credit as payment for his military service had difficulty convincing other people to take them at face value. The bills did "not pass in Trade between Man and Man," Thomas Savage observed, "nor can these poor soldiers and seamen get any thing for them above half their value, they being only used to pay Rates with."<sup>26</sup> Even their fiscal value was disputable. While Cotton Mather later equivocated that the first emission was to be paid into the treasury "in the space of two years," the legislation that created them did not actually stipulate that deadline for the bills' retirement.<sup>27</sup> And although the government acknowledged at the time of emission how much money it would have to levy in taxes in order to retire the bills of credit, it still lacked the authority to dictate the date by which all bills had to be redeemed. Poorly secured, the paper money depreciated.

Doubts surrounding the ad hoc regime's stability, honesty, and legitimacy undermined public trust in colonial leaders, and this underlay the depreciation.

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<sup>25</sup> Dror Goldberg, "The Massachusetts Paper Money of 1690," *The Journal of Economic History* 69, no. 4 (2009): 1092-1106; Felt, "Statistics of Taxation in Massachusetts," 271. Rabushka refers to the 1690 bills of credit as "the first quasi-official government money in Western World." See Rabushka, *Taxation in Colonial America*, 7. On the ad hoc government's failures to attain colonists' trust and mount an effective defense against the French, see Pencak, *War, Politics, & Revolution*, 18.

<sup>26</sup> Savage, *An account of the late action of the New-Englanders*, 6.

<sup>27</sup> Mather, *Magnalia Christi Americana*, 174.

Contemporary reports confirm that Massachusetts paper money's exchange value sank by half soon after it appeared. John Usher, the Dominion's former treasurer who had been appointed royal lieutenant governor of New Hampshire after the Glorious Revolution, accused Increase Mather of depreciating the bills' value on purpose in order to get out of paying public creditors their full share. "It has been a sad thing for the country," Usher wrote home, "and now, to cheat the men, we have paper-money of which you may buy £20 with £13 in cash." Another observer lampooned the Bay Colony's elite for "stopping the mouths of soldiers and seamen by a new mint of paper-money. Not many will take it, and these that will scarce know what to do with it."<sup>28</sup> More accurate was Cotton Mather's later attributing the bills' loss of value to "so many people being afraid that the government would in half a year be so overturned," converting their money to "waste paper."<sup>29</sup>

The magistrates tried to reestablish the bills on a firmer footing in May of 1691 by increasing the amount of paper money in circulation to £40,000 and pledging 5 percent interest on them. These measures, together with the establishment of the tax fund the previous February, were intended to enhance paper money's exchange value along with the magistrates' own political credibility. The interest-bearing provision, however, only benefitted those who still held bills of credit at the time of taxation. People who could

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<sup>28</sup> "America and West Indies: January 1691," in J W Fortescue, ed., *Calendar of State Papers Colonial, America and West Indies, Volume 13, 1689-1692* (London: Her Majesty's Stationery Office, 1901), 375-384, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp375-384> (hereafter *BHO*); "America and West Indies: February 1691," 384-393, *BHO*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol13/pp384-393>.

<sup>29</sup> Mather, *Magnalia Christi Americana*, 190-193.

afford to accumulate the bills while they circulated at a discount and then hoard them until taxes were levied evidently did so. Thomas Hutchinson later recounted that as the collection of the levies approached, “the credit of the notes was raised, and the government allowing five per cent. to those who paid their taxes in notes, they became better than money.” Those who possessed paper money gained by the interest-bearing provision, “but it did not restore to the poor soldier what he had lost by the discount.” By acquiring paper money at a discount to face value, hoarding it, and later redeeming it at the treasury when it exchanged above face value, the possessors could profit from the original public creditors’ loss. The magistrates’ efforts to stabilize their paper money had backfired, for the bills now amounted to interest bearing government bonds that did *not* circulate as currency.<sup>30</sup>

As the fighting continued in northern New England, Massachusetts’s paper money experiment receded before more pressing military demands. Under mounting pressure to act, the government turned to more traditional means of waging war and raising money in the early modern world. A committee “to consider how Money may be got in for present Exigencies” launched several privateering expeditions to French territory in the summer of 1691, including one financed by the Boston and Salem merchant communities that ended in the kidnapping of two of their own captains and cost the merchants £18,000.<sup>31</sup>

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<sup>30</sup> Hutchinson, *History of Massachusetts*, 357.

<sup>31</sup> “Diary of Samuel Sewall, 1675-1729, Vol. I, 1674-1700,” *Collections of the Massachusetts Historical Society* 5 (1878): 345, 348-49; “Proposals to and from Capt. Kidd,” *Collections of the Massachusetts Historical Society* 1 (1825): 122-123.

The government organized two more voyages, funded by direct requisitions on the towns.<sup>32</sup> Instead of protecting Maine's borders and sending aid to neighboring New Hampshire, the ad hoc regime bet on a repeat of William Phips's Port Royal conquest, leaving settlers and public officials alike outraged. Some of the selectmen, beginning to doubt the provisional government's constitutionality, refused to assess their portions of the £24,000 tax altogether. The magistrates eventually adopted Andros's standing army and court system, but, even then, the ad hoc regime failed to protect colonists and keep internal order. By December of 1691, the previous three years' chaos had demonstrated that unless the royal government recognized the colonial government's legitimacy, the latter would remain powerless to command the financial and military resources needed to fight the French, further eroding its position.<sup>33</sup>

The crisis in colonial governance finally ended in 1692, when Increase Mather and Phips returned to Massachusetts with William and Mary's royal charter, and the new provincial government set to work restoring public confidence in the paper money of 1690 and 1691. This meant creating a "new" currency out of the existing supply, by making outstanding bills of credit equal to sterling and fully securing them with future government income. The new government exploited the royal charter's legitimacy to implement new policies intended to enhance the bills' value, including a legal tender provision. In July of 1692, the General Court thus ordered that "all bills of public credit...*of the late colony of the Massachusetts Bay, shall pass currant within this*

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<sup>32</sup> Hingham Town Meeting Minutes, July 1, 1691, Hingham (Mass.) Town Meeting Minutes [photocopies], 1689-1696, MHS.

<sup>33</sup> Pencak, *War, Politics, & Revolution*, 17-18; Felt, "Statistics of Taxation in Massachusetts," 272.

*province* in all payments equivalent to money, for the sum in each bill respectively mentioned.” A bill of credit now passed in trade on “par” with silver, or equal to silver in the amount printed on the bill’s face. The legal tender provision meant that merchants and creditors could neither refuse them nor accept them as payment for less than face value. At the same time, in “publick payments” such as taxes, bills of credit now passed “at five per cent advance” over silver. For example, someone who owed a tax of ten shillings would only have to pay around nine and a half shillings in bills of credit. Bills of credit thus became 5 percent more valuable than specie during tax collections, which encouraged holders to pay their rates in paper money instead of specie or other legal tender commodities.

The most essential provision for maintaining paper money’s value was the fiscal mechanism that secured it: the tax fund. This was linked to how it was taken out of circulation. Therefore, the General Court secured all bills with “publick taxes” to be collected at the end of “twelve months.” The fund, which amounted to £30,000, included a 10 shilling poll tax and a 25 percent tax on annual income from property (estate tax), ordered by the General Court and signed by Governor Phips on June 24, 1692. The government appointed commissioners to endorse, receive, and deliver the bills “to the treasurer,” and to eventually destroy all bills of credit as well.<sup>34</sup>

If the tax fund amounted to paper money’s security, then the legislature’s taxing power is what really gave the money value. Colonial leaders interpreted the prerogative

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<sup>34</sup> Felt, “Statistics of Taxation in Massachusetts,” 291; “An Act for Making the Former Bills of Credit to Pass Currant in Future Payments,” in Ellis Ames, Abner Cheney Goodell, and Melville Madison Bigelow, eds., *The Acts and Resolves, Public and Private, of the Province of Massachusetts Bay, Vol. 1* (Boston, 1869), 35-36.

to issue bills of credit as part and parcel of the legislature's powers of taxation. A government's powers of taxation ultimately derive from its political legitimacy. Only after the charter of 1691 secured Massachusetts's legitimacy, therefore, could the provincial legislature demonstrate its taxing power. Paper money legislation after 1691 not only contained the provisions for printing and disbursing bills of credit but also detailed the process for taxing the bills out of circulation. It might seem paradoxical that the taxes that backed paper money were *paid in the paper money itself*. However, contemporaries understood that the demand for paper money during taxation also gave bills of credit value in exchange: fiscal demand created cash utility. As the colonial merchant and economic theorist Hugh Vans later explained, "there is a Demand for every Shilling" of paper money "founded in the Acts of Government," so long as they are "a lawful Tender for publick Taxes." Paper money's value was grounded in the promise of government itself.<sup>35</sup>

In this aspect, the first colonial bills of credit diverged from some seventeenth-century English writers' proposals. While the latter assumed that paper money had to represent—and be tangibly supported by—a material foundation of value such as land or commodities, bills of credit were a symbolic currency. Taxation itself gave paper money its value. Rather than collect levies from constituents in specie or grain, the colonial legislature accepted taxes in the bills of credit that they had previously given to public creditors. The bills that enabled the government to spend money it did not have represented a claim on future government assets. To be clear, paper money could not be

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<sup>35</sup> Hugh Vans, *An inquiry into the nature and uses of money; more especially of the bills of publick credit, old tenor* (Boston, 1740), 3.

redeemed at the treasury for specie or any other commodity—it was not convertible. On the contrary, its referent was less tangible. For the bills to maintain their value, the government simply had to demonstrate its commitment to redeeming paper money by taxing it out of circulation within a predetermined period of time.<sup>36</sup>

Bills of credit were more than just paper money. On one hand, the bills constituted a non-interest bearing loan from the public to the General Court; they therefore acted as a type of government bond. More specifically, bills of credit were structured as tax-anticipation notes, a way for the government to finance expenditures ahead of expected tax levies. While bonds could have varying redemption (maturity) lengths, tax-anticipation notes were typically short term loans of one year or less. English colonies very occasionally issued interest bearing bonds, which required the government to pay interest to the holder. The Massachusetts paper money of 1691, for instance,

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<sup>36</sup> Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford: Oxford University Press, 2014), 45. Economic historians have argued that as long as colonial paper money was backed by the assets of the issuer (i.e. future government taxes), then it circulated at face value—the demand for paper money created by taxation gave it value. See Bruce D. Smith, “American Colonial Monetary Regimes: The Failure of the Quantity Theory and Some Evidence in Favour of an Alternate View,” *Canadian Journal of Economics* 18, no. 3 (1985): 531-565; Smith, “Money and Inflation in Colonial Massachusetts,” *Federal Reserve Bank of Minneapolis Quarterly Review* 8, no. 1 (1984): 1-14; Smith, “Some Colonial Evidence on Two Theories of Money: Maryland and the Carolinas,” *Journal of Political Economy* 93, no. 6 (1985): 1178-1211; Michael F. Sproul, “The Quantity Theory versus the Real Bills Doctrine in Colonial America,” Working Paper 775B, Department of Economics, University of California, Los Angeles, 1998; Sproul, “There’s No Such Thing as Fiat Money,” Working Paper 830, Department of Economics, University of California, Los Angeles, 2003; Farley Grubb, “Two Theories of Money Reconciled: The Colonial Puzzle Revisited with New Evidence,” NBER Working Paper w11784, National Bureau of Economic Research, Cambridge, MA, 2005.

initially had an interest (coupon) rate of 5 percent, but the provision was removed when it resulted in hoarding.

Government bonds were not a new innovation in the wider English Atlantic world, but colonial bills of credit were unique in their design to circulate as cash between the time of issue and redemption. Denominated in pounds sterling and made legal tender in all payments, bills of credit became a medium of exchange when public creditors brought them to market. Ultimately, the bills' utility as money depended on the fiscal innovations that secured their value and inscribed that value into colonial law. People accepted them in trade knowing that they signified the government's promise to retire them through taxation. Evidently, most of the Massachusetts paper money of 1690 and 1691 returned to the treasury by early 1694. Although the data on tax receipts for these years is sporadic, the tax fund that backed the first bills of credit seems to have been secure.<sup>37</sup>

If paper money required political legitimacy, then a lack of provincial unity could potentially undermine the new colonial fiscal-military order. Massachusetts's royal

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<sup>37</sup> Rabushka, *Taxation in Colonial America*, 362-364, 374-380; Eric P. Newman, *The Early Paper Money of America: An Illustrated, Historical, and Descriptive Collection of Data Relating to American Paper Currency from Its Inception in 1686 to the Year 1800*, 4<sup>th</sup> ed. (Iola, WI: Krause Publications, 1997), 157-180; Farley Grubb, "Is Paper Money Just Paper Money? Experimentation and Variation in the Fiat Paper Monies Issued by the Colonial Governments of British North America, 1690-1775: Part I," 1690 to 1775," NBER Working Paper W17997, National Bureau of Economic Research, Cambridge, MA, 2012; Christine Desan, "The Market as a Matter of Money: Denaturalizing Economic Currency in American Constitutional History," *Law & Social Inquiry* 30, no. 1 (2005): 1-60; Thomas J. Sargent, "The Ends of Four Big Inflations," in *Inflation: Causes and Effects*, ed. Robert E. Hall (Chicago: University of Chicago Press, 1982), 41-98 (see esp. pp. 45-46); Jennifer J. Baker, *Securing the Commonwealth: Debt, Speculation, and Writing in the Making of Early America* (Baltimore: Johns Hopkins University Press, 2005), 6.

charter of 1691 could not alone restore colonists' trust in the government after three years of political instability and uncertainty. And a lack of trust in the government might translate to a lack of confidence in the government-issued bills of credit needed to fight the war. Governor Phips's administration as Massachusetts's first royal governor (1692-94) proved to be particularly disastrous for public opinion. The ex-privateer whom New Englanders once postured as a hero alienated his political opponents and flaunted royal authority. He refused military assistance to New Hampshire and New York, instead lavishing £20,000 on a fort in Pemaquid without the legislature's consent. Under pressure from Lieutenant Governor William Stoughton and the provincial council, the Board of Trade finally recalled Phips in 1694.<sup>38</sup>

Under Acting Governor Stoughton, Massachusetts colonists united against the common French and Indian enemy. The war went so badly for New England that the General Court ceded military power to Stoughton and passed emergency spending legislation without opposition. The colonial government issued £5,000 in new bills of credit to help offset high taxation, and banned imprisoning people for debts of less than £10. Other measures were aimed to encourage participation in the war effort, including prohibitions against exporting food and specie out of the colony, a £50 bounty on every enemy scalp, and penalties on those who abandoned the frontier towns. The colonists were on their own against the French and Native Americans; despite continual pleas to the Board of Trade for ships and ammunition, England sent virtually no assistance to Massachusetts. Indeed, the province would receive few concessions from the metropole

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<sup>38</sup> Pencak, *War, Politics, & Revolution*, 18-28.

in the Peace of Ryswick (1697) that ended the war in Europe. English neglect reinforced provincial solidarity.<sup>39</sup>

Massachusetts relied on wartime consensus to reissue the paper money of 1690 and 1691 that had already been collected from the towns as payment for taxes. Referred to as “Old Charter Bills,” because they predated the royal charter of 1691, most of the bills of credit created by the ad hoc government had been returned to the treasury by early 1694, either by their original holders or by individuals who had received them in the course of trade. While paper money’s prompt retirement reflected its good security, it also resulted in a sudden contraction of the currency supply at a time when military expenses remained high. The General Court in response authorized the bills’ reemission to a growing list of public creditors. The provincial government repeated this strategy for the duration of King William’s War, periodically reissuing old bills of credit backed by new tax levies.

These practices created a new fiscal order that enabled the colony to expand its current military operations by drawing against future government incomes.<sup>40</sup> A treasury

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<sup>39</sup> Pencak, *War, Politics, & Revolution*, 36-37.

<sup>40</sup> The transformation was not entirely unlike England’s “Financial Revolution” of 1694. The historian J. G. A. Pocock has emphasized changes in English society and political economy following the Glorious Revolution including the creation of a public credit, new taxes, and deficit spending, which combined to produce a new view of the future that was fundamentally forward looking and optimistic. The merchant-funded Bank of England created a new form of mobile property—bills of credit—antagonistic to the preservation of landed wealth and “classical virtue.” Pocock wrote that those unable to accept this new mode of property had a “quarrel with history,” even as a new form of history emerged, one depicting politics and society as founded on commerce. In this version, the stability of the government in the present depends on people’s confidence in the future, the value of public stock becomes an index to the stability or instability of governments, and property becomes mobile and speculative. While historians have applied the “virtue”

committee audited claims on the government and drew up debentures for the payment of public creditors. The provincial treasurer, James Taylor, then paid the public creditors in endorsed bills of credit. From June of 1693 to June of 1694, for example, the treasury reissued £20,000 in old bills “to several Captains and their Companies employed in their Majesties’ Service against the French and Indian Enemy, and Posted at the Several Garrisons.”

Not all public creditors received bills directly from the provincial government. Soldiers who had served in larger companies received wages through their captains. At least one captain had 250 men under him, but most averaged between 45 and 150. For instance, Major Francis Hooke, along with forty-eight soldiers, a surgeon, and a pilot, received 46 pounds, 9 shillings, and 11 pence total for their “Expedition Eastward.” Captain John March and his company of 262 men received 1650 pounds, 14 shillings, and 2 pence for their service “as soldiers and laborers at Pemaquid Fort.” Other public creditors were individual soldiers who had served under captains from neighboring colonies, including several in former Plymouth Captain Benjamin Church’s service whose duties had predated Plymouth Colony’s 1691 merge with Massachusetts.

Paper money transformed warfare in early America, enabling larger scale and longer term campaigns by colonial militia and increasing the demand for goods and

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pillar of Pocock’s “virtue and commerce” binary to the American colonies, most notably in the republican synthesis, they have not given the same attention to the “commerce” side, particularly as it relates to the introduction during King William’s War of paper money backed by future taxes. See J. G. A. Pocock, *Virtue and Commerce: Essays on Political Thought and History, Chiefly in the Eighteenth Century* (Cambridge: Cambridge University Press, 1985).

services on the home front. Massachusetts's civilian creditors included day laborers, such as the group of six masons who worked "in building of the Fort at Saco." One major was paid "for supply of the friend Indians." Additional payments went to those who had advanced soldiers' wages or food, to surgeons that gave care and medicine, to women who provided lodging, and to merchants who transported men and materials on their own ships. After the public creditors were paid, they could use their bills as a legal tender currency to pay off private debts or purchase necessities from neighbors. Once the bills entered into the general circulation as money, they would continue to pass among colonists until taxes became due, at which point their current holders could use them to pay their taxes. The colony had thus invented a way to finance military operations and other government spending when specie was scarce, while indirectly creating a circulating currency out of the bills that public creditors brought to market.<sup>41</sup>

The advantages this system provided and the changes it wrought become obvious when comparing the experiences of New Hampshire and Massachusetts during King William's War. The New Hampshire governor and former Dominion treasurer John Usher relied on traditional methods to fund the colony's defense. Acutely aware that a sudden invasion by the French and Indian enemy could devastate the tiny colony, Usher requested aid from all corners: his assembly, which refused to raise sums for war on grounds of the country's poverty, Massachusetts Governor Phips, who responded with "neglect, slights and Reproaches," and the Lords of Trade, who contributed £1500 worth

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<sup>41</sup> Accounts of James Taylor, treasurer and receiver of Massachusetts, of assessments and duties in the counties, duties on imported goods and merchandise, and excises. Also, payments made to captains and their companies employed against the French and Indians during King William's War, 1693-1694, MHS.

of guns and ammunition, but no soldiers to use them. After a summer of deadly attacks on New Hampshire's frontier towns, the assembly again refused to grant sums for defense, citing colonists' inability to pay specie and their dependence on crops and livestock for their livelihoods. Usher responded by appointing Phips as New Hampshire's Commander-in-Chief and began pressing men into service. Faced in response with increasing hostility from his own colonists, he fled to Boston. "Send a Governor and Soldiers," he entreated to the Board of Trade in the fall of 1696, "or else the Country will be lost."<sup>42</sup>

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With the re-eruption of war between England and France in 1701, South Carolina became the second English colony to create a circulating paper currency backed by future government income. South Carolina bills of credit drew heavily on the Massachusetts model in theory. In practice, the unique circumstances of war on the empire's southern fringe, combined with South Carolina's status as a plantation colony, led to fiscal innovations that stretched—and tested—the conceptual boundaries of value. Together, the Massachusetts and South Carolina currencies provided the theoretical and practical framework for other colonies to create their own bills of credit in the war's later years.

Unlike the earlier Nine Years War, the War of the Spanish Succession entangled all of England's colonies in the Anglo-French struggle for empire. With Spain now

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<sup>42</sup> John Usher to the Lords of Trade, July 14, 1693, John Usher Papers [transcripts], 1686-1714, MHS; Usher to Lords of Trade, October 30, 1693, John Usher Papers [transcripts], 1686-1714, MHS; Lieutenant Governor Usher's Speech to the Assembly with Replies to the Same, May 18, 1694, John Usher Papers [transcripts], 1686-1714, MHS; Usher to William Phips, July 30, 1694, John Usher Papers [transcripts], 1686-1714, MHS; Usher to Lords of Trade, October 32, 1696, John Usher Papers [transcripts], 1686-1714, MHS.

involved, North America's southeastern frontier became an important theater of what was known in early America as Queen Anne's War.<sup>43</sup> When news of the war broke in the colonies, South Carolina Governor and former Indian trader James Moore seized on already-prevalent fears to assert an aggressive war policy. Capitalizing on worries of a French invasion of Charles Town, Moore convinced the colonial assembly to approve an attack on St. Augustine in Spanish Florida "before it be strengthened with french forces." South Carolina volunteers would join with Native American recruits, "the Encouragement to be free Plunder and share of all Slaves." The expedition, Moore persuaded assembly members, would pay for itself.<sup>44</sup>

After setting out in the fall of 1702, Moore's army destroyed the network of Jesuit outposts along the Georgia and Florida coast. By mid-November, the Anglo-Indian force had succeeded in occupying St. Augustine. However, the expedition suddenly failed after an eight-week siege when two Spanish men of war arrived from Havana. The siege collapsed, and the Spanish forced the invaders to retreat overland. The colony was left with £7,000 in debt.<sup>45</sup>

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<sup>43</sup> For background, see Verner W. Crane, "The Southern Frontier in Queen Anne's War," *American Historical Review* 24, no. 3 (1911): 379-395; Fred Lamar Pearson, Jr., "Early Anglo-Spanish Rivalry in Southeastern North America," *The Georgia Historical Quarterly* 58 (1974): 157-171.

<sup>44</sup> "Speech of the Governor to the Assembly Read and Recorded August 20, 1702," in A S Salley, ed., *Journals of the Commons House of Assembly of South Carolina for 1702* (Columbia: Printed for the Historical Commission of South Carolina, 1932), 64; "Meeting of the House of Commons, August 28, 1702," in *Journals of the Commons House of Assembly of South Carolina for 1702*, 84.

<sup>45</sup> "America and West Indies: February 1703" in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 21, 1702-1703* (London: His Majesty's Stationery Office, 1913), 170-187, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol21/pp170-187>; Charles W.

South Carolina's situation mirrored Massachusetts's in the previous war. A pre-existing scarcity of specie left South Carolina's proprietary government unable to levy the taxes needed to reimburse all the people who had supplied food, ammunition, and ships for the St. Augustine expedition. In May of 1703, the colony therefore authorized a £6,000 emission of bills of credit, bearing 12 percent interest and valued in all payments at a 50 percent advance over sterling (£150 paper money to purchase £100 sterling). The paper money act did not mention Massachusetts, but alluded to "the examples of many great and rich countries who have helped themselves in their exigencies with funds of credit, which have fully answered the ends of money, and given the people besides a quick circulation of their trade and cash." This reference, probably made in regard to Venice and Holland, made clear that the bills of credit were designed with private exchange as much as government spending in mind. Known as "Country Bills," the South Carolina paper money of 1703 was to be paid by the public receiver "to such persons unto whom the country is indebted." It was backed by taxes on individuals spread out over two years, along with duties on imported and exported commodities. The bills' fiscal mechanism for retirement resembled that of Massachusetts, except that the period for redemption was two years instead of one, and the "fund" that backed South Carolina paper money combined taxes and duties.<sup>46</sup>

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Arnade, "The English Invasion of Spanish Florida, 1700-1706," *The Florida Historical Quarterly* 41, no. 1 (1962): 29-37.

<sup>46</sup> Maurice A. Crouse, *The Public Treasury of Colonial South Carolina* (Columbia: University of South Carolina Press, 1977), 27-28; W. A. Clark, *The History of the Banking Institutions Organized in South Carolina Prior to 1860* (Columbia, SC: The State Company, 1922), 8-10; "An Act for Raising the sum of four thousand pounds of the reall and personall estates, and of and from the profitts and revenues of the inhabitants of

Thomas Nairne, South Carolina's emissary to the Native Americans, later linked the colony's military successes during Queen Anne's War to its paper money. According to Nairne, bills of credit passed "in all Payments without any Demur or Dissatisfaction," because they rested on the firmest of foundations:

The House of Commons took extraordinary Care that the Credit of these public Bills should be well established. They suffered none to be made by private Banks, not being willing to put it in their Power to injure the Public; but fixed them on such Foundations which nothing could destroy...that is, upon Acts of Assembly, appointing such Duties as were not to be taken off till the Bills of Credit were entirely cancelled.

Like Massachusetts's "Old Charter Bills," South Carolina's "Country Bills" ultimately derived their value from the legislative power to raise money for the support of the government. Colonial taxes and duties amounted to paper money's security, or "Foundations." When the South Carolina government accepted bills of credit as payment for such taxes and duties, it was really cancelling an obligation to the public. Paper money circulated in trade at face value as long as the public recognized it as a claim on government assets.

Yet even Nairne acknowledged that the South Carolina paper money of 1703 was imperfect. Like the Massachusetts paper money of 1691, the first South Carolina bills of credit bore interest. While this provision was intended to enhance the bills' exchange value, it actually did the opposite. As in Massachusetts, the measure encouraged colonists to hoard the money rather than use it as a medium of exchange. Paying interest to

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this province, and establishing of bills of credit for satisfying the debts due by the publick on account of the late expedition against St. Augustine" (May, 1703), in Thomas Cooper and David J. McCord, eds., *The Statutes at Large of South Carolina, Vol. 2* (Columbia, SC, 1837), 206-210.

holders, the South Carolina legislature soon realized, was also inconvenient, requiring the legislature to disentangle different endorsements from one another in order to compute interest payments. Finally, as Nairne pointed out, it was prohibitively expensive: “this devouring Interest was such a constant Addition to the public Debt, that, if continued, it would have made it impossible to sunk the Bills in any reasonable Time, unless by troublesome Taxes.”<sup>47</sup>

Published in 1710, Nairne’s account hinted that South Carolina had *abandoned* the 1703 tax, while keeping the duties on rice, pitch, and other exports. Taxes intended to retire the bills of credit within two years were in fact still collected, but instead of using them to cancel their debts, the legislature diverted them to other uses. Indeed, a 1706 act seems to have continued the paper money in circulation with no security whatsoever! “By this Act,” William Bull later reflected in his 1739 account of the province’s paper money, “all taxes laid by any former Acts...and the duties...which had been established as a fund for sinking the bills of credit, were not applied to the payment of the public debts, and all the bills of credit outstanding and uncanceled were continued and made current.”<sup>48</sup> If bills of credit were secured by a fund of taxes and duties, then what happened when the fund was compromised? In this case, the 1706 misstep was corrected the following year, when the colony printed £8,000 in new legal tender bills of credit to fortify Charles Town

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<sup>47</sup> Thomas Nairne, *A Letter from South Carolina; Giving an Account of the Soil, Air, Product, Trade, Government, Laws, Religion, People, Military Strength, &c. of that Province* (London, 1710), 35-38.

<sup>48</sup> [William Bull], “An Account of the Rise and Progress of the Paper Bills of Credit in South Carolina, from the year 1700 to this present time...” [1739], in Thomas Cooper and David J. McCord, eds., *The Statutes at Large of South Carolina, Vol. 9*, (Columbia, SC, 1841), 766-779.

and exchange for old bills, at the same time renewing the taxes and duties that gave paper money value. Nevertheless, an important precedent had been set: unbacked paper money without the promise of future taxation.<sup>49</sup>

An unanticipated burst of military activity after 1710 forced the South Carolina House of Commons to improvise further. Between 1708 and 1716, the legislature earmarked £77,000 for military emergencies. It was soon customary to divert the taxes intended to secure bills of credit to other uses, continuing paper money in circulation without enacting any new taxes. Eventually, the colony postponed all bills' retirement—whether they were backed or unbacked—until peace returned. The reason for these inflationary measures was that Queen Anne's War never really ended for South Carolina and its neighbors, but instead fueled overlapping conflicts such as the Tuscarora War (1711-15) and the Yamasee War (1715-17). In 1711, the colony printed £4,000 in special "Tuscarora Bills" to aid its neighbors in North Carolina. South Carolina's war with the Yamasee occasioned new emissions totaling £65,000 in 1715 and 1716. The peace in 1717 momentarily halted new emissions of paper money, at which point the colonial government finally began retiring old issues with new taxes.<sup>50</sup>

Currency finance was not without costs to private trade. As the example of Massachusetts in 1690 and 1691 has shown, an unsecured currency (including one issued by a government of questionable legitimacy) could do more harm than good to local

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<sup>49</sup> Newman, *Early Paper Money of America*, 399-406.

<sup>50</sup> Rabushka, *Taxation in Colonial America*, 419-420; Richard M. Jellison, "Paper Currency in Colonial South Carolina: A Reappraisal," *The South Carolina Historical Magazine*, Vol. 62, no. 3 (1961): 134-147; Newman, *Early Paper Money of America*, 399-406; Brock, *Currency of the American Colonies*, 115-120.

exchange. But South Carolina's slave-based plantation economy was integrated differently into the Atlantic system than the northern colonies, making Carolina planters more dependent on certain classes of British traders. As a result, fiscal policies that were intended to provide local tax relief and expand military capabilities had ramifications beyond colonial markets.

In *A Narrative of the Proceedings of the People of South-Carolina* (1726), Francis Yonge recalled that the Yamasee War had interrupted South Carolina's Atlantic trade. He illustrated how paper money used to finance the war had actually hindered local merchants' ability to make payments abroad. Fearing that the conflict would destroy the province (rendering their debts there worthless), British merchants had requested returns in produce "at any Rate, for fear of losing the whole." This occasioned a "great Demand for the Commodities of the Country," which, "together with the Scarcity of them by the People being taken from their Labor to defend themselves," caused rice, pitch, and tar prices to go up in the colony. Meanwhile, poorly secured paper money had sunk to a fraction of its face value in exchange. Colonial merchants who wanted to purchase produce to make their returns overseas, but needed money to do so, called in their debts. Because paper money was legal tender, however, the merchants had to accept depreciated bills of credit as payment for debts contracted in sterling before the war at face value. "From whence it followed," recalled Yonge, "that those who had Money owing them on Bond or otherwise before the War...lost Seven Eighths of their Money." The money that

would have gone toward making returns to Britain, Yonge pointed out, instead relieved South Carolina planters of their debts.<sup>51</sup>

The author's assertion that bills of credit were "Notional, having no Intrinsic Value" was not entirely accurate. In the eighteenth century, "notional value" was a term that was applied to informal currencies, such as trade tokens, that had neither intrinsic value nor government backing.<sup>52</sup> Yet South Carolina's paper money was secured by government taxes and duties enacted at the time of its issue. However, when the assembly diverted income from taxes toward other, often unanticipated, military expenses, as it routinely did after 1710, the money could not be retired. Thus, while government assets backed South Carolina paper money when it was first emitted, its value became unhinged from the value that tax levies represented when those assets were used to make current ends meet rather than retire the bills from circulation. The Yamasee War threatened the colonial government's very existence, further eroding public faith in South Carolina's paper money. Only then did bills of credit, as Yonge wrote, become a "Notional" money.

Yet unsecured bills of credit proved better than nothing. In the face of specie scarcity and British "salutary neglect," paper money provided South Carolina with a means to finance military operations and narrowly avoid the proprietary colony's destruction at the hands of the Yamasee. Even though merchants lost much of the value of their loans, debtors benefitted from the colony's inflationary currency policies, while

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<sup>51</sup> Francis Yonge, *A narrative of the proceedings of the people of South-Carolina, in the year 1719* (London, [1726]), 8.

<sup>52</sup> Michael Cuddeford, *Coin Finds in Britain: A Collector's Guide* (Oxford: Shire Publications, 2013), 33, 55.

the moderation of taxes until after the wars ended offered relief to all colonists when they needed it the most.<sup>53</sup>

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Further north, a burst of military activity during the later years of Queen Anne's War drove other colonies to issue paper money for the first time. The currencies of New York (£5,000), New Jersey (£3,000), Connecticut (£8,000), New Hampshire (£3,000), and Rhode Island (£5,000) built upon precedents set by Massachusetts and South Carolina during King William's War and the early years of Queen Anne's War. Throughout the colonies, the expansion of paper money near the war's end led many people to embrace bills of credit as a medium of exchange. By 1713, the colonies had created a monetary system that was intrinsically linked to their fiscal order.

Across the colonies, bills of credit had certain provisions in common. First, all bills were signed by commissioners who paid public creditors and cancelled bills as they came into the treasury. Second, most legislatures mandated that each colonial currency pass equal to (or at the current legal exchange rate with) sterling, and at a percentage advance over sterling in taxes. This latter provision varied within and across colonies. New York bills, for example, were accepted at a 2.5 percent advance during the first tax collection and at a 7.5 percent advance during the third collection. Connecticut paper money was payable into the treasury at a 12 percent advance over sterling in all tax payments. The advance encouraged constituents to pay their taxes in paper money rather than specie or produce. Third, each of the northern colonies' currencies was backed by a

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<sup>53</sup> Rabushka, *Taxation in Colonial America*, 528; Smith, "Some Colonial Evidence on Two Theories of Money."

tax to be collected within a specified period, typically one to two years. Rhode Island had a slightly longer redemption period of five years. The colony also defined the punishment for counterfeiting in its first paper money law as “cropping of ears, whipping, fining at discretion, and imprisonment for twelve months.” (Other colonies would add similar or harsher provisions against counterfeiting later.) Paper money legislation doubled as taxation legislation, so that accompanying each emission was a tax on the inhabitants of equal value to that emission. The mechanism for imbuing bills of credit with value was thus built into the same legislation that created paper money itself.<sup>54</sup>

In Massachusetts, the demands of Queen Anne’s War precipitated a new phase of paper money policy. The outbreak of the war had coincided with the arrival of a new governor, Joseph Dudley, who strongly supported issuing bills of credit in wartime. Former president of the Dominion of New England governor’s council, Dudley made opponents early on of the colony’s “popular party” leaders. However, Bay Colonists put aside factional politics in the face of a common enemy, and everyone agreed on the need for a paper currency to finance military expenditures. In 1702, the government retired the

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<sup>54</sup> “An Act for the Currency of Bills of Credit for five thousand pounds” [June, 1709] in Charles Z. Lincoln, William H. Johnson, and A. Judd Northrup eds., *The Colonial Laws of New York from the Year 1664 to the Revolution, Vol. 1* (Albany, NY, 1896), 666-668; “An Act for enforcing the Currency of Bills of Credit for Three Thousand Pounds” [June, 1709], in Samuel Allinson, ed., *Acts of the General Assembly of the Province of New-Jersey* (Burlington, NJ, 1776), 9; “An Act for making and emitting Bills of Public Credit” [June 1709], in Charles J. Hoadly, ed., *The Public Records of the Colony of Connecticut, Vol. 5* (Hartford, CT, 1870), 111-113; “An Act for issuing bills of credit” [July, 1710], in John Russell Bartlett, ed., *Records of the Colony of Rhode Island and Providence Plantations, in New England, Vol. 4, 1707-1710* (Providence, RI, 1859), 96-98; William F. De Knight, ed., *History of the Currency of the Country and of the Loans of the United States from the Earliest Period to June 30, 1900*, (Washington, DC: Government Printing Office, 1900), 7-8.

last of the Old Charter Bills of 1690 and 1691, and the General Court, citing “the extreme scarcity of money,” emitted £10,000 in new “Province Bills.”<sup>55</sup> As in King William’s War, taxes backed the bills.

The colony issued and reissued the paper money annually during the war without opposition, but rarely collected more than a fraction of what it had issued in taxes. By 1708, the provincial government had adopted a policy of currency expansion to deal with a number of external exigencies and internal pressures, including a growing negative trade balance with Britain, spreading economic hardship, and the growth of military activity. Simply expanding the currency supply by issuing additional sums of money was one fairly straightforward means of providing economic relief to colonists, and new bills of credit, including five issues totaling £160,000, were emitted in Massachusetts between 1708 and 1714.<sup>56</sup>

Another means of relief was postponing taxes. This was accomplished by extending paper money’s redemption period, which the colony did from one or two years initially to three years in 1707, four years in 1709, five years in 1710, and six years for emissions made through 1714. Thus, even as more bills entered into circulation, less were being retired. By the time that Queen Anne’s War ended in the spring of 1713, approximately £235,000 in Province Bills remained outstanding.<sup>57</sup>

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<sup>55</sup> Massachusetts General Court as quoted in Joseph B. Felt, *An Historical Account of Massachusetts Currency* (Boston, 1839), 56-57.

<sup>56</sup> Rabushka, *Taxation in Colonial America*, 364-366; Newman, *The Early Paper Money of America*, 157-180.

<sup>57</sup> Brock, *The Currency of the American Colonies*, 23-25; William G. Sumner, *A History of American Currency, with chapters on the English bank restriction and Austrian paper money* (New York, 1876), 7-17.

The downside to postponing redemption was that it “time-discounted” paper money’s present exchange value. Non-interest bearing (zero coupon) bonds are issued at a discount to face value, only circulating at face value at the time of redemption (maturity date). The further away such bonds are from redemption, the wider the gap is between their exchange and face value. For colonial bills of credit redeemable within a year, the time-discount was minimal and could be countered by legal tender provisions that fined people who refused to accept them at face value before their maturity date. The longer an emission’s redemption period was, however, the larger the discount when issued, and thus the greater one’s likelihood of being paid in discounted paper money.<sup>58</sup> To offset the discount on paper money that accompanied these longer redemption periods, retailers raised their costs. While all colonists benefitted from monetary expansion and tax relief, a rise in prices created additional economic hardship for working families whose wages stagnated and war widows who lived on fixed incomes.<sup>59</sup>

Colonial politicians and polemicists remarked in published essays and letters to London that the charges of war with the French and Spanish, together with colonial governments’ inability to raise taxes on the inhabitants, had forced legislatures to print bills of credit. Having done so, the bills quickly became indispensable. Without them, Dudley wrote home in 1713, they “could never have subsisted nor clothed the Forces...but must have left all to ruin and mischief.” The New England minister John Wise later regretted that the colonies had not come up with the idea sooner, for he was

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<sup>58</sup> Grubb, “Is Paper Money Just Paper Money?”

<sup>59</sup> Gary B. Nash, *The Urban Crucible: Social Change, Political Consciousness, and the Origins of the American Revolution* (Cambridge, MA: Harvard University Press, 1979), 61-62; Pencak, *War, Politics, & Revolution*, 62-63.

certain that had “the Paper Medium been Projected and wisely used” during King Philip’s War (1675-76), “we might have so fortified our Country...that a parcel of poor Naked Indians, had never attempted our Ruin, or prevailed as they have.”<sup>60</sup>

Paper money enabled colonial legislatures to reimburse thousands of public creditors. These included not only captains and soldiers but also surgeons, widows, Indian missionaries, women who provided lodging, laborers who worked on fortifications, and merchants who transported materials in their ships. Massachusetts paid 1 pound, 7 shillings, and 7 pence to a colonist whose “Canoe [was] Impressed,” while another received 33 pounds, 16 shillings, and 4 pence “for looking after & fixing the Publick Stores of Arms.” New York’s creditors included an “Interpretes to the Indians” and a woman who had supplied “Goods by Order of Captain Jacob Leisler” during King William’s War. One colonial pensioner received 20 pounds “to pay the Surgeons for their Operation in cutting off his Leg & the cure thereof.”<sup>61</sup>

Colonies that made paper money during Queen Anne’s War continued emitting bills of credit after the fighting ended, using the pre-existing money scarcity and outstanding war debts to legitimate the practice. In Massachusetts, the General Court

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<sup>60</sup> “America and West Indies: December 1713” in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 27, 1712-1714* (London: His Majesty's Stationery Office, 1926), 253-271, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol27/pp253-271>; John Wise, *A Word of Comfort to a Melancholy Country* (Boston, 1721), 8.

<sup>61</sup> Accounts of James Taylor, MHS; Jeremiah Allen Account Book [Treasurer], 1714-1716, MHS; “An Act for Paying and Discharging the Several Debts and sums of money claimed as debts of this colony to the several persons therein named; and to make and enforce the currency of bills of credit to the value of twenty seven thousand six hundred and eighty pounds, for that purpose...” [June, 1715] in John Baskett, ed., *Acts of Assembly, Passed in the Province of New-York, from 1691, to 1718* (London, 1719), 160-195.

used paper money to discharge public debts, pay government employees' salaries, and contribute to the colony's development. The treasury accounts of 1714 indicate that the assembly paid £500 in province bills of credit to Governor Dudley, £80 to Secretary Isaac Addington, and £50 a piece to the five judges of the Superior Court. The provincial government compensated council and assembly members, treasurers and clerks, postmasters, Indian commissioners, watchmen, Harvard College presidents, and even some town ministers in paper money; one Samuel Maxwell earned a £20 annual salary for his tenure "as Door keeper" to the governor and assembly. The General Court maintained garrisons, paid pensioners, purchased gifts for the "Eastern Indians," and improved the colony's infrastructure; a thousand pounds in bills of credit went to a committee appointed "to build a light house" in Boston Harbor, while £220 was spent on constructing "Pawtucket Bridge."<sup>62</sup>

English colonies' creation of bills of credit to fund military and other public spending during King William's War and Queen Anne's War lacked precedent in the English Atlantic world. Bills of credit produced a new regime of value and valuation in early America that pegged local monetary worth—and thus the money itself—to the provincial fiscal order. By anchoring paper money's value in the government assets that tax levies represented, paper money regimes made the legislative prerogative to create money an integral part of their power to tax. Just as important were paper money's implications for ideas about money and value. Bills of credit represented a radical departure from medieval and early modern economic orthodoxy, which tended to equate

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<sup>62</sup> Jeremiah Allen Account Book, MHS.

gold and silver with money and saw value as “intrinsic” and absolute. Instead, paper money was a representation of value—a piece of paper that bore the promise of the government and whose value was *extrinsic*, imbued by the political community that created it.

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Bills of credit were never intended to be fixed replacements for specie, but the Anglo-French struggle’s financial demands had inadvertently created public trust in the bills. What English colonists called paper money was technically not “money” at all. Bills of credit were tax-anticipation notes constituting a non-interest bearing loan from the public to the provincial government, a loan that was repaid when the government retired the bills through taxation. Minting money—coin, paper, or otherwise—remained a crown prerogative. Still, bills of credit were money in all but name, with a cash value pegged to the fiscal system of the provincial community that created them. Thus, even where bills of credit were not legal tender in *private* payments, they had a cash premium based on the colonial government’s promise to accept them as payment for taxes. Paper money’s cash value came from its fiscal value.

Bills of credit became a circulating medium of exchange when public creditors brought their bills to market, creating a currency that virtually anyone could use or borrow. As *circulating* public debt, paper money therefore comprised a loan to not only the colonial government but also the provincial community itself. Community members could use bills of credit in trade from the time they were issued to the point at which legislation retired them. In the meantime, government-issued paper money injected

liquidity into provincial economies, reviving local trade and even stimulating new economic activity. This enhanced liquidity lubricated existing reciprocal trade relations, but it also exposed colonists to new kinds of market relations. Ultimately, paper money's fiscal origins ensured the government's continued involvement in arbitrating such relations, as well as in mediating the public and private roles that money itself should play within the body politic.<sup>63</sup>

Before paper money was widely available, specie scarcity had rendered trade an inefficient and costly affair. Passing through rural Connecticut in 1704, the travel diarist Sarah Kemball Knight observed how country traders priced their goods differently according to what medium of exchange customers were paying with. While several types of money were customarily accepted, the rate at which those commodities were valued in pounds sterling depended on their category. “*Pay is Grain, Pork, Beef, &c. at the prices set by the General Court that Year*”—storekeepers accepted these at their legal exchange rate with sterling. Meanwhile, “*Pay as money*” (or “country pay”) denoted the same items, but at “one Third cheaper than as the Assembly or General Court sets it.” This

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<sup>63</sup> Edwin J. Perkins has written that “Those who accepted the paper bills in payment had actually been forced to make involuntary loans to the colonial government,” while Joseph Ernst has similarly referred to currency finance as “a system of forced short-term lending.” See Perkins, *The Economy of Colonial America* (New York: Columbia University Press, 1988), 171; Ernst, *Money and Politics in America, 1755-1775: A Study in the Currency Act of 1764 and the Political Economy of Revolution* (Chapel Hill: University of North Carolina Press, 1973), 22. Yet, colonists themselves often talked about bills of credit as a way of borrowing from each other without interest. Recent scholarship underscores the reciprocity between governments and constituents surrounding paper money, emphasizing that bills of credit were just as much a loan to the community as to the government, because all colonists could use them to trade and pay taxes. See Christine Desan, “From Blood to Profit: Making Money in the Practice and Imagery of Early America,” *Journal of Policy History* 20, no. 1 (2008): 26-46.

accounted for storage costs or variances in quality. “*Trust*” was private credit given by the storekeeper to a customer for an agreed upon length of time, and, finally, “*money* is pieces of Eight, Ryalls, or Boston or Bay shillings...or Good hard money, as sometimes silver coin is termed.” A storekeeper set his or her asking price upon knowing the customer’s means of payment. A “sixpenny knife,” Knight observed, might cost six pence in hard money, but ranged from eight to twelve pence in country pay. “It seems a very Intricate way of trade,” she mused sarcastically to her diary, “and what *Lex Mercatoria* had not thought of.”<sup>64</sup>

By supplying a circulating medium of exchange, government-issued bills of credit altered the nature of personal and impersonal exchange relations on the ground in early America. Over the course of Queen Anne’s War, bills of credit went into the hands of thousands of public creditors. From Boston, they penetrated the New England countryside. The Hingham, Massachusetts weaver John Fearing was using paper money as early as 1706. Fearing made his living selling homemade cotton products to his family members and neighbors in exchange for livestock, goods, tools, labor, clothes, and occasionally more exotic commodities such as molasses, indigo, and salt. While most colonists’ account books recorded transactions in pounds sterling, Fearing noted when paper money had changed hands. In 1706 and 1707, he paid 6 shillings and 6 pence in “paper money” to Rebecca Wilder and a five shilling “bill [of] Credit” to John Colson, and received “a bill of” 10 shillings from Hannah Bacon. In August of 1709, the weaver

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<sup>64</sup> Sarah Kemball Knight, “The Private Journal kept by Madam Knight on a journey from Boston to New-York, in the year 1704,” in Sarah Kemball Knight and Thomas Buckingham, *The Journals of Madam Knight and Rev. Mr. Buckingham: from the Original Manuscripts, written in 1704 & 1710* (New York, 1825), 42-43.

paid Anne Wilder “ten shillings in paper money” in exchange for some beef and pork, which she delivered later that fall.<sup>65</sup>

Chronic money scarcity made bills of credit an even more appealing means of exchange beyond face-to-face relationships. The colonies’ specie shortage worsened over the course of Queen Anne’s War, when local merchants gathered up all their silver to procure ships, weapons, and ammunition from Britain. They sold these supplies to provincial governments that paid them in paper money. Sometimes colonial assemblies loaned merchants bills of credit up front, as the Massachusetts General Court did in 1711 in anticipation of another intercolonial expedition to Canada. Either way, excess demand for military provisions drew silver away from the colonies as soon as it came in, leaving paper money to supply the need for a local currency.

Paper money was preferable to private credit instruments as well. Unlike private credit instruments, government-issued paper money was completely fungible; easily transferable from person to person with no limit to how many times it could change hands, it could be used in countless one off exchanges between strangers without the need for additional documentation. At the time of reckoning, it was backed by the provincial government that issued it.

Paper money even helped stimulate new economic activity during Queen Anne’s War. One of the primary ways it accomplished this was by enabling farmers to sell their surplus produce to seaport merchants, rather than use those crops for paying taxes to the provincial government. Farmers then used their profits to buy goods from friends or

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<sup>65</sup> John Fearing Account Books, 1692-1737, WL.

strangers. Whatever bills of credit remained in their hands when taxes became due returned to the treasury, and the cycle was complete. The same idea applied to town taxes, as the New England towns accepted provincial paper money as payment for taxes equal to sterling. In Hingham, for example, town rates for 1709 were “to be paid two thirds of it in money or province bills & the other part thereof in merchantable corn.” By contrast, in the decade prior to the emission of the Massachusetts paper money of 1690 and 1691, taxes were paid almost entirely in corn. Towns that accepted paper money as payment for taxes could recompense ministers and schoolmasters in bills of credit, who in turn used the money to purchase their necessities.<sup>66</sup>

The colonies’ chronic money scarcity encouraged colonists to accept bills of credit in trade. In 1710, the Massachusetts Governor Joseph Dudley wrote to the Lords of Trade about the province’s dearth of silver, “it having been all these seven years past so industriously gathered up to be sent to Great Britain.” In the face of such scarcity, he reported, “our Province chequer notes are of that currency and honor, that we buy all merchandize goods, ships, houses, estates of land, or whatever else with those bills preferable to money.”<sup>67</sup> Dudley reiterated to the commissioners in 1713: “The perfect

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<sup>66</sup> Hingham Town Meeting Minutes, October 9, 1709, Hingham (Mass.) Records, 1644-1720, vol. 3, pp. 8-9, MHS. Compare with Hingham Town Meeting Minutes, July 5, 1686, Hingham (Mass.) Records, 1644-1720, vol. 1, pp. 168, MHS; Hingham Town Meeting Minutes, Dec. 26, 1686, Hingham (Mass.) Records, 1644-1720, vol. 1, pp. 168, MHS; Hingham Town Meeting Minutes, June 28, 1687, Hingham (Mass.) Records, 1644-1720, vol. 1, pp. 170, MHS; Hingham Town Meeting Minutes, December 6, 1687, Hingham (Mass.) Records, 1644-1720, vol. 1, pp. 171, MHS.

<sup>67</sup> “America and West Indies: November 1710,” in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 25, 1710-1711* (London: His Majesty's Stationery Office, 1924), 253-273, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol25/pp253-273>.

want of money was such that the bills became currant in all trade with merchants and countrymen, with that honor that I never heard of any abatement in payment, either in trade, or market, or any dealing whatsoever.”<sup>68</sup> Colonists with trade ties in Britain, moreover, used provincial bills of credit to purchase foreign bills of exchange or merchant orders transferable to London. Hence, in 1714, John Usher paid fifty pounds and four shillings in Massachusetts paper money to Francis Wainwright for the thirty-two pounds, three shillings, and one pence sterling he owed John Ive in London, “which by [Wainwright’s] order” was “made good” to Ive. Years later, one prominent Boston resident even used bills of credit to purchase a pew in “the South...Meeting-House.”<sup>69</sup>

By the end of Queen Anne’s War, paper money formed the basis of a new symbolic monetary order in early America that enhanced government taxing and spending, facilitated economic activity, and ultimately transformed social relations. These changes were driven by the surge in military activity from Massachusetts to South Carolina that resulted in more frequent, and larger, emissions of bills of credit that remained in circulation long after the conflict had ended. Government-issued paper money not only helped break colonists’ dependence on specie but also loosened the economic constraints and social dependencies associated with specie scarcity and a reliance on private credit. Unlike informal book credit, paper money was transferable

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<sup>68</sup> “America and West Indies: December 1713,” in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 27, 1712-1714* (London: His Majesty's Stationery Office, 1926), 253-271, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol27/pp253-271>.

<sup>69</sup> John Ive to John Usher, April 23, 1714, Jeffries Family Papers, vol. 2, pp. 142-150, MHS; Receipt for Jeremiah Belknap’s pew in the South Church, Boston, April 1730, Broadside, MHS.

from person to person, with no limit to how many times it could change hands. Paper money even helped stimulate new economic activity, by enabling farmers to sell their surplus produce to merchants rather than use the crops for paying taxes to the provincial government. Between emission and retirement, paper money's cash value came from the colonial government's pledge to redeem bills of credit with the tax levies that backed them.

## CHAPTER THREE

### PUBLIC CREDIT AND PUBLIC FAITH

To say something in the behalf of our poor condemned Bills...that they may have a fair and legal Trial, and not be condemned before they have had a hearing. What! To take them like the greatest of Pirates, and hand them up before the Sun, as the worst of Malefactors, when all their Days they have been laboring to serve their Makers and Masters, and brought some of them from nothing, to the Enjoyment of plentiful Estates! Would not this be sordid Ingratitude?

[John Wise] (1721)

The expansion of paper money following the end of Queen Anne's War (1702-13) fueled a fundamental conflict in early America between medieval and emerging forms of monetary value and valuation, connected to other values in colonial society. Beginning in 1714, provincial legislatures for the first time issued bills of public credit for reasons other than war finance, namely, to provide a local medium of exchange when gold and silver specie was scarce. Colonial leaders attempted to situate these new emissions within existing political structures so as to preserve aspects of a traditional social order held together by deference, hierarchy, and paternalism. In spite of their intentions, however, paper money in peacetime eroded older forms of social relations, altering colonial society in crucial ways. Ultimately, paper money played a fundamental role in transforming the provincial political community from a communal "body politic" grounded in traditional norms into a "publick" bound by common consent, public faith, and a notion of value that pegged monetary worth to a collective political and economic future.

Debates over the nature of money and origins of value had long involved more than just a consideration of the advantages and disadvantages of silver versus paper. Proponents of a specie-backed currency tended to emphasize a medieval worldview that

saw tradition as the solitary source of economic value, moral worth, political authority, and social stability. To them, paper money threatened not only the economy but also order in the wider society. The idea of value as a human construction troubled those who believed that money, like truth and morality, ought to rest on an unshakeable foundation. Others, rather than mourn the eclipse of old principles, imagined a new political community in which members not only defined and created value through their representatives in the colonial assemblies but also claimed a mutual stake in their colony's future. Paper money's advocates embraced an extrinsic theory of value and the possibilities of economic development and social reform through human agency that it implied. While strengthening provincial political unity, paper money had the potential to cure social ills and alleviate the kind of material distress caused by the lack of a sufficient circulating medium of exchange.<sup>1</sup>

While previous scholars have recognized that the discourse surrounding the colonial currencies concerned value as much as it did money, less attention has been paid to how the shift from war to peace altered the terms of the debate over the *geographic* origins of money's value. After Queen Anne's War, the old disagreement between intrinsic and extrinsic value gave way to a new conceptual division—between “universal” and “local” value—that helped explain how paper money derived its worth. Contemporaries understood gold and silver specie to have universal value among trading

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<sup>1</sup> Elizabeth E. Dunn, “‘Grasping at the Shadow’: The Massachusetts Currency Debate, 1690-1751,” *The New England Quarterly* 71, no. 1 (1998): 54-76; T. H. Breen and Timothy Hall, “Structuring Provincial Imagination: The Rhetoric and Experience of Social Change in Eighteenth-Century New England,” *The American Historical Review* 103, no. 5 (1998): 1411-39.

nations. On the other hand, legislative prerogative, common consent, and landed property gave bills of credit local meaning within the provincial political community. Above all, the new geography of value depended on *public faith*—the reciprocal trust between colonial legislatures and their constituents in which public credit was grounded, and that ultimately secured paper money's local value. By keeping bills of credit under legislative power, colonial leaders sought to maintain traditional authority structures. However, paper money secured by public faith tended to undermine, rather than reinforce, old social ties based on blood and hierarchy. By the time the Anglo-French struggle re-erupted in North America as King George's War (1744-48), paper money formed not only the basis of a symbolic monetary order but also the foundation of a provincial political community that was sustained by public faith.

In order to foster public faith, colonial governments had to establish their authority to issue paper money in peacetime. During Queen Anne's War, the royal government had encouraged colonial assemblies to issue paper money, for this enabled the colonies to fight Britain's North American rivals. Bills of credit provided English colonies with the financial means to undertake expeditions into Canada and Florida, construct costly fortifications, and pay pensions to soldiers, seamen, and war widows without relying on Britain for direct financial support. Even though the British administration officially disapproved of paper money as a medium of exchange, colonial legislatures' use of bills of credit during the Anglo-French war crisis had set an irreversible precedent for colonies to finance local government expenditures with future government income.

The 1713 treaty that ended the war between Britain and France removed colonial legislatures' imperial impetus for issuing paper money. In peacetime, colonial government expenditures were relatively small. As old bills of credit gradually returned to provincial treasuries after 1713 to be retired, few new issues were made to replace them. No longer were there soldiers to pay or privateers to reimburse. The currency supply contracted, and the economic stimulus to local exchange that paper money had provided during the war years expired.

The rise of Atlantic trade accompanied the drop in local economic activity, contributing to the colonies' pre-existing specie scarcity. On the North American side, shipping and smuggling fell off in the urban seaports, ending the steady stream of Spanish bullion into the colonies. Meanwhile, a decline in world prices made it difficult for colonial farmers and planters to sell their surplus crops abroad or in the British empire. Yet the empire thrived, with British commerce rapidly expanding after the victory over France. While colonists benefitted from the growth of transatlantic trade, their desire for consumer goods exceeded what they could produce. They bought imported commodities on mercantile credit when they ran out of specie, and their negative trade balance with Britain increased. The currency contraction, the decline in local economic activity, and the growing trade deficit precipitated a depression across North America.<sup>2</sup>

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<sup>2</sup> Gary B. Nash, *The Urban Crucible: Social Change, Political Consciousness, and the Origins of the American Revolution* (Cambridge, MA: Harvard University Press, 1979), 55-56; Curtis Nettles, "The Origins of Paper Money in the English Colonies," *Economic History, a Supplement to the Economic Journal* III (1934): 25-56; Joseph Ernst, *Money and Politics in America, 1755-1775: A Study in the Currency Act of 1764 and the*

As of 1714, English colonial governments were again forced to tackle the problem of specie scarcity without invading the royal prerogative to mint money. Many legislators, pointing to the success of paper currency in functioning as a de facto money during the imperial wars, favored establishing bills of credit as an official medium of exchange. But the war had also badly damaged the public credit of colonies that had misused or been forced to divert funds intended to secure their paper money, or that simply lacked the means to pay their debts. Those colonies now faced the dual dilemma of money scarcity and bad credit.

Paper money's value depended on the public credit, for if a colony had poor credit, its paper money typically exchanged for less than face value. By the same token, the strength of a colony's credit relied on public faith. When colonists exchanged paper money at face value, they demonstrated trust in the government that issued it. Public faith could restore public credit, and *vice versa*. In light of this connection, two different solutions arose among colonies that had participated in Queen Anne's War. Colonies that ended the war with a significant debt, such as New York, simply created new emissions of paper money on the public credit that represented the total amount of debt.

Colonies seeking to create a semi-permanent paper currency *independent* of government spending levels established land banks for the first time. Unlike paper money secured by taxes, which was constrained by expectations of future government income, the money issued through land banks was secured by property in land, something that the

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*Political Economy of Revolution* (Chapel Hill: University of North Carolina Press, 1973), 27-28; Leslie V. Brock, *The Currency of the American Colonies, 1700-1764: A Study in Colonial Finance and Imperial Relations* (New York: Arno Press, 1975), 22-25.

colonists possessed in abundance. Land bank bills were lent to private individuals, through either public loan offices or colonial treasuries, on the basis of real estate mortgages. In theory, the money would serve both as a medium of exchange and as a communal resource, with interest from the loans going to the public good.<sup>3</sup>

Land banks embodied a radical new idea about wealth, not as a zero-sum game, but as something that could result from internal improvements and that could increase infinitely. Seventeenth-century proposals for land banks in England and the colonies had argued that money issued through land banks would do more than just mediate existing value across time and space—it had the potential to create new value by harnessing peoples’ productive energies.

These ideas were put to test in North America in 1712 when South Carolina established a public land bank to revive the local economy. Unlike previous paper money emissions used to pay for military expenditures, the South Carolina “Bank Act” was intended to “give a farther encouragement to trade and commerce” regardless of government spending levels.<sup>4</sup> The colonial legislature issued £32,000 in paper money on loan to individual planters and farmers in amounts ranging from £100 to £300. Mortgagers pledged property in land or slaves as collateral and paid 12.5 percent in annual interest over a twelve-year period. Whether individual borrowers used the money

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<sup>3</sup> For an overview of the early American land bank system, see Theodore Thayer, “The Land-Bank System in the American Colonies,” *The Journal of Economic History* 13, no. 2 (1953): 145–59.

<sup>4</sup> “An Act for raising the sume of fifty-two thousand pounds, by stamping and establishing new bills of credit, and putting the same out to interest, in order to call in and sink the former bills of credit, and thereby give a farther encouragement to trade and commerce” [1712], in Thomas Cooper and David J. McCord, eds. *The Statutes at Large of South Carolina, Vol. 9* (Columbia, SC, 1841), 759-765.

to improve their land or to purchase consumer goods, they created a circulating money supply that all colonists could draw upon as a medium of exchange. As an added advantage, interest from the loans gave the government additional income for public expenses, alleviating the overall future tax burden on colonists.<sup>5</sup> The land bank, an anonymous essayist in Charleston later recalled, “was of vast Advantage to many Men, and of great Use to the Country.”<sup>6</sup>

Had another war not broken out in South Carolina in 1715, the Bank Act might have succeeded not only in reviving the local economy but also in restoring the public credit. In 1715, however, the colony fell into a calamitous struggle with the Yamasee Indians that nearly destroyed the province. The Yamasee War added £50,000 to the public debt and the legislature decided to put off collecting taxes indefinitely. Instead, the government injected poorly secured bills of credit into the money supply as it had during Queen Anne’s War. Given the uncertainty of its redemption via taxation, the paper money circulated at a discount to face value. And because all bills of credit of a given colony were fungible (interchangeable), the infusion of unbacked paper money had the effect of diminishing public confidence in all bills of credit, including the £32,000 emission let out on loan that was secured by private mortgages.<sup>7</sup>

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<sup>5</sup>[William Bull], “An Account of the Rise and Progress of the Paper Bills of Credit in South Carolina, from the year 1700 to this present time...” [1739], in Thomas Cooper and David J. McCord, eds., *The Statutes at Large of South Carolina, Vol. 9* (Columbia, SC, 1841), 769-770; Maurice A. Crouse, *The Public Treasury of Colonial South Carolina* (Columbia: University of South Carolina Press, 1977), 28, 30-31.

<sup>6</sup>*An Essay on Currency, written in 1732* (Charleston, SC, 1734), 8.

<sup>7</sup>Farley Grubb, “Is Paper Money Just Paper Money? Experimentation and Variation in the Fiat Paper Monies Issued by the Colonial Governments of British North America, 1690-1775: Part I,” 1690 to 1775,” NBER Working Paper W17997, National Bureau of

The government's devaluation of its currency further eroded confidence in paper money. During Queen Anne's War, colonial legislatures had routinely devalued their currencies as a way of paying for military expenditures. They did this by lowering the money's exchange rate with British sterling. South Carolina, for example, set its par of exchange (legal exchange rate) at £300 local money to £100 British sterling during the Yamasee War, down from £150 local money to £100 British sterling in 1703. The downside to devaluation was that it directly affected commercial exchange rates, which in turn determined the price a colonial merchant might have to pay in paper money for sterling or a foreign bill of exchange. Because it tended to make imports more expensive, devaluing paper money could ultimately lead to inflation (a general rise prices). In South Carolina after the Yamasee War, a £100 bill of exchange could cost a colonial merchant as much as £500 in paper money.<sup>8</sup>

Despite the temporary inflationary spiral caused by the combination of wartime monetary expansion and currency devaluation in South Carolina, the land bank itself cannot be considered a complete failure. By 1723, only £8,000 in bank bills backed by mortgages on private property remained in circulation. In comparison, £120,000 in unbacked bills of credit remained outstanding. Evidently, the colony enforced provisions to ensure repayment of the loan, even as the government struggled to restore its public

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Economic Research, Cambridge, MA, 2012; Smith, "Some Colonial Evidence on Two Theories of Money."

<sup>8</sup> Eric P. Newman, *The Early Paper Money of America: An Illustrated, Historical, and Descriptive Compilation of Data Relating to American Paper Currency from Its Inception in 1686 to the Year 1800* (Iola, WI: Krause Publications, 1997), 399-406.

credit after fifteen years of continuous warfare that had threatened colonial land tenure itself.<sup>9</sup>

South Carolina's paper money regime played a significant role in driving the growth of plantation size and planter wealth in the province throughout the first half of the eighteenth century. The creation of paper money led to the expansion of local credit markets, while the public land bank provided an important additional source of local capital. Small planters could borrow from Charleston merchants or mortgage land and slaves to the bank. The increased availability of mortgages, in turn, encouraged planters to expand their estates by purchasing additional land, livestock, and slaves. Local credit and mortgages based on paper money funded the transformation of South Carolina from a frontier outpost in 1690 into a prosperous plantation economy based on slavery by 1740.<sup>10</sup>

In Massachusetts, on the other hand, the debate over a land bank in 1714 was part of a larger political controversy concerning the role of government in the economy, with different monetary schemes reflecting a growing division between new and traditional ideas of authority. As wartime bills of credit were taxed out of circulation, two rival plans to supply the colony with a land-based currency appeared, one private and one public. Engineered by Elisha Cooke, Jr., Oliver Noyes, and John Colman, and cautiously

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<sup>9</sup>W. A. Clark, *The History of the Banking Institutions Organized in South Carolina Prior to 1860* (Columbia, SC: The State Company, 1922), 13; Crouse, *Public Treasury of Colonial South Carolina*, 28-29; Bruce D. Smith, "Some Colonial Evidence on Two Theories of Money: Maryland and the Carolinas," *Journal of Political Economy* 93, no. 6 (1985): 1178-1211.

<sup>10</sup>Russell Menard, "Financing the Lowcountry Export Boom: Capital and Growth in Early South Carolina," *William and Mary Quarterly* Vol. 51, no. 4 (October 1994), 659-676.

championed by Massachusetts's "popular party," the private scheme represented the more significant departure from tradition. Based on John Blackwell, Jr.'s 1686 proposal for a bank of credit in Boston, the so-called "land bankers" published *A Projection for Erecting a Bank of Credit*. The bank would receive individual subscriptions of £250 to £4,000 for a total capitalization of £300,000. Subscribers would be required to take out a portion of the bank's bills, while the remaining money would be lent with interest to non-subscribers who mortgaged land or personal property as security. All profits would return to the initial subscribers, but the land bankers pledged to donate some of their interest earnings to public charities if the provincial treasurer agreed to accept the bank bills as payment for government taxes.<sup>11</sup>

Paul Dudley, the Attorney General and son of Governor Joseph Dudley, hoped to prevent the land bankers from acting until the colonial assembly could determine whether the proposal violated British law. If the General Court banned the bank after "Pandora's Box" was already open, he argued in *Objections to the Bank of Credit* (1714), then colonists would blame the colonial government.

Dudley expressed a deeper concern—that a private land bank would weaken the bonds of dependency between colonists and the General Court and undermine traditional authority structures. The proposed bank would amount to an independent authority within the colony, "which like a Fire in the Bowels, will Burn up and Consume the whole Body." If established, Dudley warned, "'twill be a vain thing any longer to talk of

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<sup>11</sup> *A Projection for Erecting a Bank of Credit in Boston, New-England. Founded on Land Security* (Boston, 1714), in Andrew McFarland Davis, ed., *Colonial Currency Reprints, 1682-1751*, 4 vols. (Boston: Prince Society, 1911), 1:320-329 (hereafter *CCR*).

Government, a Power of making Laws, Regulating Trade.” A private company permitted to create money would soon issue so much cash that the company itself would “quickly Govern the Trading part, and by degrees get the Land of the Country Mortgaged to them.”

A better solution to the colony’s money scarcity, Dudley urged, would be a *public* land bank. The government already had experience with paper money, and bills issued by a public bank could easily be made legal tender. Interest from loans would “Redound to the Publick” for the common good. Furthermore, the bank’s “Fund” would be “the Province in General,” and would therefore “never be doubted, or in Danger.”<sup>12</sup> Most importantly, keeping paper money under government control would prevent the erosion of traditional social ties that an abundance of privately issued currency would surely cause.<sup>13</sup>

The land bankers responded to the Attorney General’s presumptions by insisting that their plan relied on “an entire dependence” upon the colonial government.<sup>14</sup> Writing for a British audience, one supporter suggested that the land bank would help keep Massachusetts dependent on the crown, by preventing colonists from turning to

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<sup>12</sup> Paul Dudley, *Objections to the bank of credit lately projected at Boston* (Boston, 1714), in *CCR*, 1:257.

<sup>13</sup> See Richard L. Bushman, *From Puritan to Yankee: Character and the Social Order in Connecticut, 1690-1765* (Cambridge, MA: Harvard University Press, 1967); Margaret E. Newell, *From Dependency to Independence: Economic Revolution in Colonial New England* (Ithaca, NY: Cornell University Press, 1998).

<sup>14</sup> Samuel Lynde, *A Vindication of the bank of credit projected in Boston from the aspersions of Paul Dudley* (Boston, 1714), 4.

manufactures for their subsistence.<sup>15</sup> To bolster their case, the land bankers pointed out that the colonial government lacked the authority to lend paper money on interest to individuals. While the colony linked its prerogative to issue bills of credit in wartime with the General Court's right to raise taxes for the support of the government, one anonymous essayist argued, a public loan exceeded that right. This gave them "the character of real Money," which undermined the royal prerogative to mint money. Most of all, the author was concerned with the power that a public land bank would give to the governor and council over constituents' liberty and property.<sup>16</sup>

The land bankers were defeated when Governor Dudley approved the General Court's act to emit £50,000 in provincial bills of credit on public loan in 1714. The assembly charged trustees with loaning the bills on interest to colonists with "good real Security," generally land, in the province for five years in amounts ranging from £50 to £500. The loans would be administered in Boston, but the trustees reserved a portion of the emission for other towns. They were "of the same Tenor" as the previously issued Province Bills, equal to sterling at the current legal exchange rate. All borrowers were required to pay one fifth of the principle plus interest annually, with the interest going to the public good. As the act stated, "the Profits and Improvements of the Bills so let

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<sup>15</sup> "America and West Indies: July 1715," in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 28, 1714-1715* (London: His Majesty's Stationery Office, 1928), 215-235, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol28/pp215-235>.

<sup>16</sup> *A Letter, from one in Boston, to his friend in the Country* (Boston, 1714), in *CCR*, 1:271.

out...are Granted to His Majesty, toward Defraying the Publick Charges of the Province, as the General Court from time to time shall Order and Direct.”<sup>17</sup>

While both proposals for a land-based currency in Massachusetts diverged from tradition, the public land bank compromised between old and new visions of colonial authority. The public land bank’s structure resembled the private scheme, but while the private bank would have been controlled by subscribers, the legislature issued the public loan. Just as important, the £50,000 public loan was a fraction of the £300,000 capitalization proposed by the land bankers, who accused Governor Dudley and the “court party” of putting moneyed men’s interests before the people’s needs in restricting the money supply. Indeed, by situating new paper money emissions within existing political structures and by limiting the amount of money in circulation, the colonial government aimed to accommodate popular demand for paper money to the traditional order. Thus, while the public land bank’s establishment reinforced some of the more traditional notions of the body politic, the infusion of new currency into the economy that accompanied it threatened to undermine the very social and financial relationships that it sought to preserve.<sup>18</sup>

As South Carolina and Massachusetts experimented with land-based currencies, other colonies responded to money scarcity after Queen Anne’s War by continuing to

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<sup>17</sup> “An Act for the Making and Emitting the Sum of Fifty Thousand Pounds in Bills of Credit,” in *Acts and Laws passed by the Great and General Court or Assembly of His Majesties province of the Massachusetts-Bay in New-England; begun and held at Boston upon Wednesday the twenty-sixth day of May, 1714* (Boston, 1714), 251-252; William Pencak, *War, Politics, & Revolution in Massachusetts* (Boston: Northeastern University Press, 1981), 63-64.

<sup>18</sup> Nash, *Urban Crucible*, 80-82; Pencak, *War, Politics, & Revolution*, 62-65.

issue paper money backed by taxes. This money would be used to service outstanding war debts as well as to provide a local medium of exchange. If the emissions accompanied new taxes and did not exceed the value of existing debts, colonial governments reasoned, then issuing bills of credit in peacetime fell within legislatures' power to raise levies for the support of the government; the legislatures would not yet have to resort to such measures as land banks and loans on interest.

A major contributor of money, men, and provisions during the Anglo-French conflict, New York ended Queen Anne's War deeply in debt. While the colony had issued bills of credit beginning in 1709, the amount was either insufficient or mismanaged. As early as 1712, the colonial legislature authorized a commission to inquire into the public debt, and the following year it passed an act promising to discharge it. In 1714, the New York government finally created legislation that pledged to pay the entire amount.

The legislation's centerpiece was a £27,680 emission of paper money, disbursed to public creditors and backed by future government revenues. The act noted how "former Governors" had squandered public funds "given by the Loyal Subjects" during the war crisis instead of paying those who had fronted services, provisions, and money. "Therefore in order to Discharge the said Claims, Restore the publick Credit, and fix it on such a Foundation as will be most conducive to the service of Her Majesty as well as the good of Her Subjects inhabiting this Colony," the assembly pledged to reimburse all claimants in paper money. Each of the hundreds of claimants would sign a receipt before witnesses and swear to the treasurer that he or she had not already been reimbursed, and

anyone who refused the bills forfeited their debts forever. Once settled, all claims on the colony made before June of 1714 would be declared null and void.

The most important provision for securing bills of credit was the “fund”—the real assets that gave paper money value in exchange. In New York, this was the liquor excise the assembly approved in 1713. The treasurer audited twice a year to account for money coming in from the excise, the results of which would be posted publicly. In the end, the New York legislature created a semi-permanent circulating currency that not only restored the public credit but also filled a crucial need for medium of exchange and even boosted the colonial economy. “The currency being based on so solid a fund as that of the excise,” one nineteenth-century historian later remarked, “trade and navigation were favorably affected.”

Other mechanisms for imbuing New York bills of credit with value were structured into the legislation that created them. First, they were declared to be equal in value “to the Current Coin passing in this Colony” for a duration of twenty-one years (hence their nickname, the “First Long Bills”). Next, they were made legal tender in private payments, meaning they had to be accepted “for Goods,” “discharging any Debt,” the “Sale of Land,” or any other transaction at face value, “as if the Current Coin in this Colony had been offered and tendered for the Discharge of the same.” If a merchant or creditor refused paper money, he or she forfeited the whole debt and had to pay a fine.

Furthermore, as Massachusetts also did around the same time, New York made counterfeiting bills of credit a felony crime “without Benefit of Clergy.”<sup>19</sup>

New Jersey, which shared a governor with New York, found its public credit in a slightly different, but no less precarious, position than New York’s in the half decade after the fighting had ended. Most of the £8,000 in paper money that the colony had issued during Queen Anne’s War was due to expire by the spring of 1717. As the date drew near, however, many colonists refused to pay (or officers neglected to collect) taxes, and the money continued in circulation; some counties were in arrears going back to 1711. The small but not insignificant quantity of bills outstanding did not prevent an economic retrenchment in New Jersey after the war. Writing to the Lords of Trade in 1715, Governor Robert Hunter noted that money scarcity hurt the “poorer sorts” disproportionately, “there being no currency but of silver and bills of credit, the smallest of which is of two shillings,” and no “relief from ordinary markets as in other places.” Unlike New York or Pennsylvania, New Jersey lacked a sanctioned port for Atlantic

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<sup>19</sup> "An Act for Paying and Discharging the Several Debts and sums of money claimed as debts of this colony to the several persons therein named; and to make and enforce the currency of bills of credit to the value of twenty seven thousand six hundred and eighty pounds, for that purpose..." [June, 1715] in John Baskett, ed., *Acts of Assembly, Passed in the Province of New-York, from 1691, to 1718* (London, 1719), 160-195 (see esp. 160-61, 187-191); Alvin Rabushka, *Taxation in Colonial America* (Princeton, NJ: Princeton University Press, 2008), 419; Newman, *The Early Paper Money of America*, 243-255; John H. Hickcox, *A History of the Bills of Credit or Paper Money issued by New York, from 1709 to 1789* (Albany, NY, 1866), 15-20.

trade.<sup>20</sup> With little money coming into the treasury, New Jersey could pay neither old obligations nor current expenses, and the public credit sank.

The assembly session of 1716-1717 focused on taxes, paper money, and public credit. In January, the “Committee of the Council to Examine and Settle the Account of the Treasury” revealed that £960 remained due in taxes from the £5,000 emission of 1711, although Provincial Secretary Jeremiah Basse estimated the total amount to be closer to £1700. In a speech before the legislature, Basse suggested that the “Arrearages of Taxes” stemmed from several causes: “the deadness of Trade” and “Poverty of this Province,” to be sure, but also the “two very Expensive and Fruitless Expeditions to Canada” in the last war. Added to that were the “entestine Discords and Divisions, which have much obstructed the payment of the public Taxes,” the “negligence of the Officers in doing their Duties,” and last but not least “the scarcity of Moneys.”<sup>21</sup>

The restoration of the public credit, Basse intimated, would be difficult. The legislature could not lay a new tax, since most colonists lacked the means to pay it. The best solution, then, was to issue a new stock of paper money backed by future taxes, for which some counties and towns had already petitioned the colonial assembly. Reestablishing the public credit on a solid foundation, however, depended on the cohesion of the provincial political community, which, as Basse suggested in his speech, had fractured after Queen Anne’s War into competing factions. Already a colony with

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<sup>20</sup> Governor Hunter to the Lords of Trade, November 12, 1715, in William A. Whitehead, ed., *Documents Relating to the Colonial History of the State of New Jersey, Vol. IV, 1709-1720* (Newark, NJ, 1882), 222.

<sup>21</sup> *A Journal of the votes of the House of Representatives of His Majesty’s province of New-Jersey* [for the session held November 27, 1716-January 26, 1717], (New York, 1717), 17-19.

significant linguistic, ethnic, and religious diversity, New Jersey's royal governors were continually dealing with conflicting groups of Scottish and English proprietors, Anglican gentry, and Quaker and Puritan yeoman, who conflicted over land claims and tax policy.<sup>22</sup>

Paper money required consensus, for it made all colonists mutual stakeholders in the colony's collective political and economic future. As Basse put it, bills of credit represented a loan to community, a means "to borrow of our selves without interest." Uniting together in order to establish such "a proper Credit," Basse projected, would in turn "strengthen our Interest, advance our Estates, restore our decayed Credit; and make us a truly happy Province."<sup>23</sup> At the same time that bills of credit renewed the political and economic bonds of the provincial community, however, the economic implications of paper money undermined traditional social and financial ties. Paper money, Basse explained, would provide colonists with "A current Stock of Money for the carrying on of our Trade," creating new opportunities for colonists to "Market" their produce. In giving all colonists a mutual stake in their colony's future, paper money exposed colonists to the kinds of commercial relations that had been impossible under the seventeenth-century's conditions of specie scarcity and barter.<sup>24</sup>

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<sup>22</sup> See Brendan McConville, *These Daring Disturbers of the Public Peace: The Struggle for Property and Power in Early New Jersey* (Philadelphia: University of Pennsylvania Press, 2003).

<sup>23</sup> On paper money as a collective loan to the community, see Christine Desan, "From Blood to Profit: Making Money in the Practice and Imagery of Early America," *Journal of Policy History* 20, no. 1 (2008): 26-46; *A Journal of the votes of New-Jersey*, 18-19.

<sup>24</sup> *A Journal of the votes of New-Jersey*, 19.

By late January, Governor Hunter and the legislature had agreed on an act to issue £4,670 in bills of credit. By most measures, New Jersey's paper money of 1716/17 restored the public credit and filled a crucial need in the colony for a medium of exchange. It circulated on par with silver at a time when other colonies' bills of credit exchanged at a discount. However, the new bills' short redemption period (they were only valid until December 1, 1718) rendered them as temporary as the old ones. Their prompt retirement led to a contraction of the money supply, which tightened credit and dried up business once again.<sup>25</sup>

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The mixed results of colonists' efforts to establish paper money backed by taxes or land outside war finance renewed and ultimately altered the old debate over the origins of value. Since 1690, colonial legislators and publicists in favor of a circulating paper currency had emphasized a conceptualization of money that rejected the notion of intrinsic value. There was nothing inherently worthy about money, they argued, for money was simply credit backed by security. "Is it not as valuable as so much Silver or Gold, supposing the Security be Sufficient?" the Puritan minister Cotton Mather had implored in his 1691 defense of Massachusetts's bills of credit.<sup>26</sup> Money, Mather and others contended, was a *signifier* of value—a claim on real assets, whether private land mortgages or income from future taxes, that lay elsewhere in space and time. Its value

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<sup>25</sup> Newman, *Early Paper Money of America*, 221-225; Thomas L. Purvis, *Proprietors, Patronage, and Paper Money: Legislative Politics in New Jersey, 1703-1776* (New Brunswick, NJ: Rutgers University Press, 1986), 147.

<sup>26</sup> [Cotton Mather], *Some Considerations on the Bills of Credit Now Passing in New-England* (Boston, 1691), in *CCR*, 1:189-190.

was extrinsic, derived “from the *voluntary Choice* of Mankind, guided either by Reason, or mere Humour & Fancy.” In contrast, only those things that comprised life’s necessities—air, food, and water—had “a *real and intrinsick Value or Estimation*, which is unchangeable and cannot be withdrawn.”<sup>27</sup>

The shift from war to peace diminished the conflict between intrinsic and extrinsic value and in its place emerged a new conceptual division between “universal” and “local” value. The Boston merchant Hugh Vans later refined the distinction between the two in his 1740 essay on the subject, *An Inquiry into the Nature and Uses of Money*. Gold and silver coins, while not intrinsically valuable in the traditional sense, had the “universal” esteem of trading nations because they had “obtained a very *general Value* in the World.” Massachusetts paper money, on the other hand, had a “special or local value” derived from “the common Consent of this Community, founded upon this solid Reason, that they are a Commodity the best qualified for the Ends and Uses of Money.” Provincial body politics, paper money’s proponents reasoned, had the right to choose a medium of exchange that suited its members. Through common acceptance and mutual consent, a political community could define and create value.<sup>28</sup>

Politicians, intellectuals, merchants, and ministers used the burgeoning provincial print culture to defend local currencies. If specie had derived its monetary value from the common consent of merchants, then virtually any material—including paper—could

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<sup>27</sup> Hugh Vans, *An Inquiry into the nature and uses of money; more especially of the bills of publick credit, old tenor* (Boston, 1740), 1-3.

<sup>28</sup> Vans, *Inquiry into the Nature and Uses of Money*, 2-3, 8; [Hugh Vans], *Some Observations on the Scheme Projected for Emitting 60,000 l. in Bills of a New Tenour, to be Redeemed with Silver and Gold* (Boston, 1738), 19.

become a *local* currency on similar grounds.<sup>29</sup> One writer in Pennsylvania who supported the creation of a public land bank there remarked that “Silver and Gold has no more Title to be a Running Stock of any Country, than John Nokes has to be a Lord Mayor of London...They are allowed to be so by the general Consent and Choice of a Country, yet any other Commodity may be made a running Stock as well as these.”<sup>30</sup> An essayist in South Carolina similarly suggested that “if Paper, or Leather, or any other Thing, has as general Consent [as silver or gold], it would answer the same End as well...any Country by Laws and common Consent, amongst themselves, may make any Thing else answer the very same as Silver, or Gold, for a Medium of Trade, within themselves.”<sup>31</sup>

Common consent created paper money, but its value was secured and mediated by government revenues and land mortgages, legal tender laws, and the money’s materiality itself. Provincial governments took special care to issue paper money on a “fund,” emitting it on the security of future taxes or land mortgages. Economic commentators in the colonies and Britain observed that when paper money was adequately secured, it was more likely to exchange at face value. “When the Public Credit...is well supported” the author of *Reflections on the Present State of the Province of Massachuset-Bay* wrote in 1720, “it can’t be injurious.”<sup>32</sup> In South Carolina, the colonial trader and legislator Thomas Nairne remarked in an essay published in London in 1710, “the Funds” of taxes

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<sup>29</sup> John Colman, *The Distressed State of the Town of Boston Once More Considered* (Boston, [1720]), 20.

<sup>30</sup> Francis Rawle, *Some Remedies Proposed, for the Restoring the Sunk Credit of the Province of Pennsylvania* ([Philadelphia], 1721), 8-9.

<sup>31</sup> *An Essay on Currency*, 11.

<sup>32</sup> *Reflections on the Present State of the Province of Massachuset-Bay in general, and the town of Boston in particular* (Boston, 1720), 13.

and levies that backed paper money in that colony were “so good, that they passed in all Payments without any Demur or Dissatisfaction.”<sup>33</sup>

Of course, this was not always the case. Depending on the circumstances, some colonies were more successful than others in securing their bills’ value. A British writer interested in replicating the colonies’ currency model in Britain was informed that in New York, for example, “the Bills are established on a secure Fund, and of a certain fixed Value, and made current in all Payments whatsoever.” Good security and legal tender laws worked together to make New York’s paper money as valuable “as any other the Current Coin of the Kingdom.”<sup>34</sup>

Colonial legislatures enacted legal tender laws to protect paper money within their jurisdictions when it circulated at a discount to face value. Wherever bills of credit were a legal tender in all payments, they had to be accepted at face value regardless of their discounted value in exchange not only by the provincial treasury as payment for taxes, fees, and fines but also by merchants and creditors selling goods or collecting debts. Additional statutes ensured that legal tender provisions would be followed. In South Carolina, for example, a creditor who refused to accept payment for a debt in bills of credit forfeited his or her money altogether. Moneylenders and shopkeepers had an incentive to take discounted or depreciated (in the case of bills that were unbacked) paper

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<sup>33</sup> Thomas Nairne, *A Letter from South Carolina, giving an account of the soil, air, product, trade, government, Laws, Religion, People, Military Strength, &c of that Province* (London, 1710), 35.

<sup>34</sup> Humphrey Mackworth, *Sir H. Mackworth’s proposal in miniature, as it has been put in practice in New-York, in America* (London, 1720), 16.

money at face value when the alternative was a total loss of profits.<sup>35</sup> Massachusetts similarly gave its bills of credit a “universal Currency throughout the Province in all private Trade,” and in 1712 the General Court prohibited the imprisonment of debtors who tendered paper money for debts contracted during Queen Anne’s War.<sup>36</sup> Throughout the colonies, commentators referred to paper money’s legal tender status as its “currency”—the official value that was inscribed in the law as well as on the face of the money itself. “By the Laws that Establish the Bills of Credit,” Nairne explained of South Carolina’s legal tender provisions, “their Currency is secured.”<sup>37</sup>

Just as legal tender laws served to eliminate the difference between exchange value and face value, mottos, insignias, and signatures helped to mediate the divide between “real” and “imaginary” money by muddling the distinction between representing and constituting value. Whereas gold and silver coins both represented *and* embodied value, bills of credit detached the symbol of money (paper bill) from its physical referent (land or taxes), having no tangible value but the collateral of land lying elsewhere or taxes not yet collected. As Hugh Vans later explained, the value of colonial paper money was derived from its “*Quantity* or Number,” as well as from its “*Impression, Subscriptions*, and other Marks of Distinction; by which they are as well secured.”<sup>38</sup> In this way, bills of credit functioned as a symbolic system that mediated the gap between representation and reality that distinguished the paper medium of exchange from other forms of money in the English Atlantic world. In the minds of men and women who

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<sup>35</sup> Nairne, *Letter from South Carolina*, 35.

<sup>36</sup> Vans, *Some Observations*, 14-15.

<sup>37</sup> Nairne, *Letter from South Carolina*, 35.

<sup>38</sup> Vans, *Inquiry into the Nature and Uses of Money*, 5.

passed paper money in the course of everyday trade, the symbols and signs on a bill's face collapsed the distinction between real and imaginary value, ultimately rendering such a distinction meaningless.<sup>39</sup>

Paper money's iconography enhanced its *local* value by anchoring it in a real time and place. Depending on a colony's constitutional basis and relationship with Britain, some legislatures tied local jurisdiction to the empire by imperializing their money's symbolism. Massachusetts bills of credit issued during Queen Anne's War featuring the royal British arms and the mirrored monogram "AR" for Anna Regina, for example, appear in stark contrast to the paper money of 1690 exhibiting the original Bay Colony seal of Native Americans entreating the Puritans to "COME OVER AND HELP US." Charter colonies, on the other hand, felt no need to alter their iconography. Connecticut currency depicted a different animal, flower, or geometric shape for each denomination, with doves and lions adorning the two shilling and five pound bills of 1709, respectively. The first Rhode Island paper money similarly avoided royal symbols and signs, instead featuring an anchor motif within a heart. In every colony, individual bills were signed by trustees before they entered circulation. Just as colony seals, royal arms, and nautical images denoted shared cultural and historical meaning to the people who used paper

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<sup>39</sup> Jennifer J. Baker, *Securing the Commonwealth: Debt, Speculation, and Writing in the Making of Early America* (Baltimore: Johns Hopkins University Press, 2005), 3-10. On paper money as a mediating instrument bridging real and representational value, see Mary Poovey, *Genres of the Credit Economy: Mediating Value in Eighteenth- and Nineteenth-Century Britain* (Chicago: University of Chicago Press, 2008).

money, the signatures represented the colonial government's promise to accept the bills at face value.<sup>40</sup>

While funds, laws, and symbols served as indispensable securities, sources, and signifiers of monetary worth in the English colonies, commentators on both sides of the currency debate increasingly understood the ultimate grounds of paper money's value as *public faith*. If security gave money its value in exchange, then public faith protected that security. "Our Bills are upon a Land fund, or security, and the Publick faith to defend it," the Massachusetts minister and political leader John Wise exclaimed in a 1721 essay published in defense of expanding the colony's public land bank; "those who take the Bills in the Circulation of them, have the Publick Faith to rest upon."<sup>41</sup>

Transforming bills of credit from a temporary wartime expedient into a permanent circulating currency required keeping public faith alive. Public faith was the provincial political community's collective promise to support its currency, and that promise sometimes needed renewing. With this in mind, colonial essayists used print culture to enhance public faith in bills of credit. Wise exhorted readers to "make the best of" their paper money, "*as all Wise Men do by their Wives*." He warned them not to "presage any terrible Destinies descending from them," as if "the Publick Faith was so Debauched as not to be trusted." Colonists had a responsibility to hold paper money in high esteem—to

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<sup>40</sup> For additional examples, see Newman, *Early Paper Money of America*; Emil Cauffman Collection of American Paper Money, 1757-1780, Library Company of Philadelphia (hereafter LCP); Colonial and Continental Paper Money, 1723-1786, Currency Collection, Historical Society of Pennsylvania (hereafter HSP). Currency Collection, 1746-1877, Joseph Downs Collection of Manuscripts and Printed Ephemera, Winterthur Library (hereafter WL).

<sup>41</sup> Amicus Patriae [John Wise], *A Word of Comfort to a Melancholy Country. Or The bank of credit erected in the Massachusetts-Bay* (Boston, 1721), 45, 47-48.

protect it from “Aspersions” and “Jealousies.” Wise assured that “such a temper of mind will for ever, not only secure the Currency of our Bills, but will most certainly keep up their Value equal with Money.”<sup>42</sup> For Wise and others, public faith in money’s value was just as important as the fund that secured it, the laws that enforced its currency, and the symbols that gave it cultural meaning. Contemporaries recognized that without public faith, bills of credit were no better than blank pieces of paper.

But public faith also meant confidence in the colonial government that issued the paper money. The strength of a country’s currency, one commentator wrote, depended on “the Integrity and Honesty of such a Country...so They will certainly be as good as their Word.”<sup>43</sup> Public opinion of a colonial government’s trustworthiness (or creditworthiness) could confirm or deny its legitimacy, in turn positively or negatively affecting the value of paper money issued on the public credit. Following Pennsylvania’s 1729 emission of £30,000 in paper money, for example, Governor Patrick Gordon instructed the provincial legislature to “take proper Methods...to possess the Minds of the People with great Notions of Government.” Several months later, he was pleased to report that “The whole Government...seems to be very well satisfied and in perfect peace and quiet [,] which is Chiefly owing to that late addition to our Currency.”<sup>44</sup>

According to this logic, if colonists trusted their legislature to retire bills of credit on time, then the bills would maintain their value in exchange. By the same token, if the

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<sup>42</sup> [Wise], *Word of Comfort to a Melancholy Country*, 29-30.

<sup>43</sup> *Reflections on the present state of the province*, 12.

<sup>44</sup> Governor Gordon to the House of Representatives, May 10, 1729, Penn Family Papers I, Official Correspondence II, pp. 65, HSP; Governor Gordon to John Penn, October 30, 1729, Penn Family Papers I, Official Correspondence II, pp. 89, HSP.

legislature betrayed that trust by not retiring bills of credit on time, then the bills could depreciate.<sup>45</sup> The idea of public faith masked what was in fact a dual promise. On one hand was the government's promise to accept bills of credit as payment for taxes, which Hugh Vans later referred to as the "*explicit* Promise on the Face of them." On the other hand was the "*implicit* Promise founded in the *common Consent* of the Colonies where they pass." Public faith was a reciprocal relationship that required both the government and its constituents to fulfil their part of the bargain.<sup>46</sup>

On a more abstract level, public faith became synonymous with value itself. John Wise likened it to the collective imagination, suggesting that paper money's value resided in the political consciousness of the community that created it. The "imagination," he wrote in *The Freeholder's Address to the Honourable House of Representatives* (1721), is "necessary in raising the Glory, and value of a thing."<sup>47</sup> Wise and other proponents of paper money invoked alchemy as a metaphor for mentally transforming paper into money. With "the Lapis Aurificus, or Philosophers Stone in [their] heads," Wise envisaged in *A Word of Comfort to a Melancholy Country* (1721) under the pseudonym Amicus Patriae, colonists could "turn other matter into Silver or Gold by the Power of thought." Wise and others depicted paper money as a symbol of value that could serve as a medium of exchange wherever and whenever gold and silver were scarce.<sup>48</sup>

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<sup>45</sup> Baker, *Securing the Commonwealth*, 15-17.

<sup>46</sup> Vans, *Inquiry into the Nature and Uses of Money*, 3-4. See also [Vans], *Some Observations*, 15.

<sup>47</sup> John Wise, *The Freeholder's Address to the Honourable House of Representatives* (Boston, [1721?]), 44.

<sup>48</sup> Baker, *Securing the Commonwealth*, 31.

On the other side of the debate, however, paper money's opponents scoffed at the notion that paper bills were money, and they offered a new philosophy of money's value. The critics were typically royal or proprietary agents or members of the provincial mercantile elite, none of whom wished to be paid in bills of credit. Motivated in part by economic considerations—including the needs of a rising British Atlantic trade—they cloaked their public denunciations of paper money regimes in ideological terms.

Combining early seventeenth-century trade balance theory with the English philosopher John Locke's natural law conception of money, they decreed that gold and silver coins alone were money.<sup>49</sup> As a contemporary explained, "MONEY" was strictly defined as "Gold or Silver that has some Mark or Stamp on it by Publick Authority." Gold and silver coins are "the best Medium of Trade," the writer elaborated, because they are "Universally esteemed by all Civilized Nations." Money's "intrinsick Value" was not intrinsic in the medieval sense. It derived from neither its weight or fineness nor its government imprint, but rather from "the Universal Esteem" people had for it, the result of "a favor and benefit of God to Mankind." As one historian later explicated, "the value of money was rooted in nature."<sup>50</sup>

If money came from nature, as a number of Boston essayists understood, then money's value originated beyond the realm of human invention. Local currencies were

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<sup>49</sup> Newell, *From Dependency to Independence*, 146-148; See, for example, Philopatria [Thomas Paine], *A Discourse, shewing, that the first cause of the straits and difficulties of this province of Massachusetts Bay, is it's extravagancy, & not paper money* (Boston, 1721), 8-9, who paraphrases John Locke, *Two Treatises of Government* (London, 1690; London, 1821), 226-229. Citation refers to 1821 edition.

<sup>50</sup> *An Addition to the Present Melancholy Circumstances of the Province Considered* (Boston, 1719), 9-10; Joyce Appleby, "Locke, Liberalism and the Natural Law of Money," *Past and Present* 71, no. 1 (1976): 45

not money at all. On the contrary, the author of *An Addition to the Melancholy Circumstances of the Province Considered* mocked in 1719, it was a “weak and groundless fancy that Paper Money...might be confirmed and established so, as to be of perpetual currency and use like *Silver Money*.” While legal tender laws could punish those who refused to accept bills of credit at face value, the government could not compel people to “think a piece of Paper is a piece of Money.”<sup>51</sup> Likewise, the Harvard professor and silver bank proponent Edward Wigglesworth in a pamphlet excoriating the land banker John Colman declared that “it is not the Governments saying, This indented Bill of so much, shall be in value equal to money, and so turning it into the world, which really gives it it’s value (as some perhaps fondly imagine).”<sup>52</sup> In putting forth a new theory of value based on Lockean natural law, Wigglesworth and other opponents of paper money in the colonies precluded the possibility that anything *but* silver and gold coins could serve as a medium of exchange.

Paper money’s critics sought popular support by exaggerating the ephemeral, unstable, and sometimes dark underside of bills of credit. Whereas John Wise and other proponents of paper money used the alchemical metaphor of transmutation to explain money’s symbolic function, opponents likened the process of turning paper into money to the more sinister Catholic doctrine of transubstantiation. “They’ll not readily believe such a transubstantiation,” an anonymous essayist projected.<sup>53</sup> Emitting paper money on the

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<sup>51</sup> *An Addition*, 23. Emphasis mine.

<sup>52</sup> Edward Wigglesworth, *A Letter from One in the Country to His Friend in Boston: Containing Some Remarks upon a Late Pamphlet, Entitled, The Distressed State of the Town of Boston, &c.* (Boston, 1720), 14.

<sup>53</sup> *An Addition to the Present Melancholy Circumstances*, 23.

public credit was “just like the Popish Doctrine of *Transubstantiation*,” the Boston merchant Thomas Paine wrote under the pseudonym Philopatria in a pamphlet that directly responded to Wise’s *Amicus Patriae*.<sup>54</sup> Opponents of colonial paper money regimes used popish tropes to cast bills of credit in a suspicious light. Paper money was a public deception, and bills of credit were no more money than bread and wine were the body and blood of Christ.

Once having rejected paper money’s legitimacy on ideological grounds, however, the critics fixated on the negative financial and political consequences that a breach in public faith could threaten. In particular, they targeted the practice of postponing the taxes that backed paper money. When colonies postponed taxes, they were deferring payment on a loan and thus further discounting its present exchange value. Bills of credit backed by income from future taxes were structured as non-interest bearing loans (or bonds) from the public to the government. By definition, bonds are issued at a discount to face value, maturing to face value only at the time of redemption (maturity). Colonial bills of credit were no different, circulating below face value at the time of emission and at face value when taxes became due. Taxation created the demand for paper money, enhancing its value in exchange.<sup>55</sup>

While all bills of credit were issued at a discount, what the critics really opposed was the policy of postponing taxes after the money had already been disbursed. Postponing taxes lengthened paper money’s redemption period, which put an additional discount on the bills. According to some colonists, shorter redemption periods were

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<sup>54</sup> [Paine], *A Discourse, shewing*, 13.

<sup>55</sup> Grubb, “Is Paper Money Just Paper Money?”

needed to reinforce public faith in paper money and the government that issued it. “The shorter the time is for drawing in of Bills,” one author wrote, “the greater will be their value and esteem in the minds of Persons.” Conversely, longer redemption periods could strain public faith in the currency. Altering paper money legislation *after* the money was already in circulation constituted a betrayal of public faith, for it ruined trust in the government’s promise to retire bills of credit on time. If “payment...be postponed,” the author elaborated, “does not this lessen the value of the Bill...and what will publick Faith...signify after this?”<sup>56</sup>

South Carolina and Massachusetts had both postponed the collection of taxes during Queen Anne’s War, when the uncertainties associated with warfare created difficult financial choices for colonial legislatures. Decisions were made to divert, postpone, or repeal taxes after bills of credit were already in circulation in order to save colonists from death, destruction, or economic ruin. Legislatures diverted taxes to unanticipated military emergencies, or postponed them indefinitely until enough settlers had the money to pay the levies. In some cases, the legislatures repealed the taxes serving as paper money’s collateral altogether. Against a backdrop of continual war, bills of credit became a tool of economic relief through monetary expansion. Lacking a secure foundation, however, the bills of credit circulated at a discount or depreciated.

In both colonies, continuing conflicts with Native Americans, a rising sterling exchange rate, and general economic decline prompted legislatures to continue the practice of postponing taxes after Queen Anne’s War had ended. “By reason of the late

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<sup>56</sup> *An Addition to the Present Melancholy Circumstances*, 16.

troubles and confusions occasioned by the Indian war,” the South Carolina politician and later acting governor William Bull referred to the Yamasee War in *An Account of the Rise and Progress of the Paper Bills of Credit in South Carolina*, “the said bills could not be suddenly sunk, without laying too great and insupportable a tax burden on the inhabitants.”<sup>57</sup> But if postponement lessened colonists’ financial burden by giving them more time to pay their taxes, then discounting paper money tended to raise overall price levels. Because of inflation, keeping old bills of credit in circulation could make money scarcity worse.

As the previous chapter explained, taxation created the demand for bills of credit. Postponing taxes *decreased* the demand for paper money and thus decreased their present exchange value. “If these Taxes had never been postponed,” Edward Wigglesworth lamented, then “the demand the Bills would have been in for paying Taxes, would have made us esteem them at a higher rate than we do now.” Postponing taxes could very well create the impression that the bills “should never be called in,” reducing them to no more than “bits of Blank paper.”<sup>58</sup> The colonial physician and occasional polemicist William Douglass observed the same phenomenon, later estimating in *An Essay Concerning Silver and Paper Currencies* (1738) that Massachusetts’s paper money, in part from “Periods postponed,” was circulating at one fourth of its face value, while South Carolina’s bills of credit, “by their vile Breach of public faith in Postponings,” were worth even less.<sup>59</sup>

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<sup>57</sup> [Bull], “An Account of the Rise and Progress,” 771.

<sup>58</sup> Wigglesworth, *A Letter from One in the Country*, 14. See also [Paine], *A Discourse, Shewing*, 13-14.

<sup>59</sup> William Douglass, *An Essay, Concerning Silver and Paper Currencies: more especially with regard to the British colonies in New-England* (Boston, [1738]), 6.

Making bills of credit, only to then “postpone the calling them in (some of them) to twenty years hence,” Massachusetts’s Governor Jonathan Belcher chastised the General Court in 1734, was a “publick fraud and delusion” that diminished the bills’ value in exchange.<sup>60</sup>

Paper money’s opponents accused colonial constituents of being complicit in their currency’s depreciation. To be sure, debtors gained when old obligations could be paid in discounted or depreciated bills of credit at face value, while most colonists benefitted from taxation hiatuses. At the same time, John Higginson wrote in 1721 in the satirically entitled essay, *The Second Part of South-Sea Stock*, colonists who supported postponement were “shuffling the Saddle off [their] own backs” onto “the Coming generation.”<sup>61</sup> Likewise, an anonymous essayist warned, “if the present Generation do not draw in the Publick Bills as soon as fairly may be, they may Entail Debts on their Posterity.”<sup>62</sup> For such colonists, the critics implied, paper money had come to represent a collective claim on funds so far into future that the value of such funds lost present meaning.

The policy of postponement applied not only to government taxes but also to private mortgage payments. In Massachusetts, commentators increasingly saw the public land bank as the primary source of the colony’s currency woes. When payments on the 1714 loan became due beginning in 1719, the currency supply suddenly contracted. But

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<sup>60</sup> Legislative Acts/Legal Proceedings, *New-England Weekly Journal*, January 8, 1733.

<sup>61</sup> John Higginson, *The second part of South-Sea Stock: being an inquiry into the original of province bills or bills of credit, now in use in His Majesty’s plantations, more especially in New-England* (Boston, 1721), 8.

<sup>62</sup> *An Addition to the Present Melancholy Circumstances*, 17-18.

most colonists wanted more, not less, paper money. Against this backdrop, an emboldened John Colman revived his plan for a private land bank, which he argued would supply colonists with the currency they now needed to pay interest on their loans.<sup>63</sup> While the enterprise failed, the legislature—now controlled by the popular party—responded to public demand by expanding the existing supply of government-issued money and increasing colonists’ access to public loans. Hence, following the initial loans of £50,000 in 1714 and £100,000 in 1716, the General Court authorized additional loans of £50,000 (1721), and £60,000 (1728).<sup>64</sup>

When legislatures failed to enforce loan provisions, however, they encouraged colonists to defer mortgage payments. In Massachusetts, for example, borrowers could go years without paying any principle on a loan, either keeping the money or bringing it to market, but effectively prolonging their period of indebtedness to the colony. Mortgages that went unpaid, one essayist warned in 1719, would pass on to the next generation, forcing children to “Pay for [their] Inheritances...if they would be the full and proper Owners of them.”<sup>65</sup>

When the colonial government altered the fund that secured a loan after it had already been issued, it discounted the loan’s value and undermined public faith. In a 1736 essay entitled *A letter to a member of the Honourable House of Representatives, on the*

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<sup>63</sup> See John Colman, *The distressed state of the town of Boston, etc. considered: In a letter from a gentleman in the town, to his friend in the countrey* (Boston, 1720); Colman, *The distressed state once more considered*.

<sup>64</sup> Pencak, *War, Politics, & Revolution*, 72-75; Nash, *Urban Crucible*, 82-83; Nettles, “The Origins of Paper Money.”

<sup>65</sup> *An Addition to the Present Melancholy Circumstances*, 17-18. See also Wigglesworth, *A Letter from One in the Country*, 14.

*present state of the bills of credit*, a young Thomas Hutchinson contended that while Massachusetts borrowers gave their land as a “Surety to the Province, that [the bills] shall be paid in again,” the government could not similarly ensure that the bills would “keep their value” for the duration of the mortgage.”<sup>66</sup> Even worse, John Higginson had earlier explained, when the government broke its promise “to take [the bills] again at such a time, this lessens the Man’s Credit of them.” He concluded: “this may serve to show that the Altering of the Fund, hath been prejudicial to the value of these Bills.”<sup>67</sup>

Staunch opponents of paper money such as William Douglass suggested that the bank’s liberal borrowing terms encouraged people to take out loans they did not need and should not have. “A large Emission of publick Paper Credit on Loan, to be paid at distant Periods of long Credit,” Douglass pointed out “gives the desperate and unthinking Borrowers or Subscribers, an Opportunity of ruining themselves, by taking up this Money and spending it extravagantly.”<sup>68</sup> Opponents of paper money framed their criticisms in the language of English “country” ideology, suggesting that bills of credit corrupted virtuous country folk into an acquisitive, extravagant, and immoral people. The classed rhetoric of Douglass and other opponents of paper money pointed to deeper fears that linked the spread of paper money to social upheaval in general and the erosion of traditional economic dependencies in particular.<sup>69</sup>

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<sup>66</sup> Thomas Hutchinson, *A letter to a member of the Honourable House of Representatives, on the present state of the bills of credit* (Boston, 1736), 2.

<sup>67</sup> Higginson, *Second Part of South Sea Stock*, 9-10.

<sup>68</sup> Douglass, *An Essay, Concerning Silver and Paper Currencies*, 12.

<sup>69</sup> Newell, *From Dependency to Independence*, 146-148.

In fact, some provincial governments sought to preserve traditional social ties by funneling paper money through existing authority structures: the towns. Unlike the general loan offices of New Jersey, Pennsylvania, and the lower counties of Delaware (discussed in the following chapter), the Massachusetts public land bank was decentralized. Provincial trustees disbursed loans from an office in Boston to individual borrowers or to town trustees “according to each town’s respective proportion to the last province tax.” Trustees for the town of Braintree, for example, received £548 of the province’s £50,000 loan of 1721. The trustees then determined how to divide the funds between town expenditures and individual borrowers, and were ultimately responsible for delivering payments on the loan to the provincial treasurer. Interest on the town’s part of the loan remained within the town for its benefit.<sup>70</sup>

Braintree’s first payment of 109 pounds and 12 shillings, “the fifth part of the towns proportion of the £50,000 loan,” was made slightly behind schedule in June of 1726. The second, third, and fourth payments of the same amount were likewise delivered on (or nearly on) schedule in 1727, 1728, and 1729. In the meantime, the town had received and begun to let its portion of the £60,000 province loan of 1728. According to one accounting “of the money belonging to the Town at Interest” recorded on March 4,

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<sup>70</sup> “An Act for the Making and Emitting the Sum of Fifty Thousand Pounds in Bills of Credit on this Province in the Manner as is Hereafter Expressed,” [March 15, 1720/21], in Ellis Ames, Abner Cheney Goodell, and Melville Madison Bigelow, eds. *The Acts and Resolves, Public and Private, of the Province of Massachusetts Bay, Vol. 2* (Boston, 1874), 189-194.

1731/32, £230 of the total amount of paper money let to individual borrowers between 1718/19 and 1731 remained outstanding.<sup>71</sup>

Distributing loans through the towns, however, undoubtedly caused provisions for repayment to be inconsistently enforced. In April of 1728, Jeremiah Hunt of Billerica (which received 496 pounds and five shillings of the province's £60,000 loan of that year) borrowed twenty pounds of "Lawful money" from his town trustees. Hunt paid twelve shillings in interest each year for the years 1729, 1730, 1731, 1732, and 1733, twelve shillings in interest plus forty shillings of the principle in 1734, nine shillings and eight pence in interest and forty shillings of the principle in 1735, and seven shillings and three pence in interest plus forty shillings of the principle in 1736. The final payment, delivered in May of 1740—two years after the loan was to be repaid—was for four pounds, nine shillings, and eight pence "in full" for what Hunt, since deceased, "owed the Trustees of the Town of Billerica of the Loan money in his Life time."<sup>72</sup>

In contrast to previous loans, the loan of 1728 required towns to direct 4 percent of the interest arising from individual loans back to the province annually, reserving only 2 percent of the interest for the use of the towns. This change meant that while the loans continued to be distributed locally, a larger share of *profits* was being diverted to the province. Distributing public loans through town governments thus enabled legislatures

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<sup>71</sup> Braintree (Mass.) account book, 1717-1744, Massachusetts Historical Society (hereafter MHS).

<sup>72</sup> Jeremiah Hunt's obligation bond to the trustees of Billerica, April 11, 1728, Broadside Collection, MHS; "An Act for Raising and Settling a Publick Revenue, for and towards Defreying the Necessary Charges of this Government, by an Emission of Sixty Thousand Pounds in Bills of Credit on this Province," in *Acts and Resolves of Massachusetts Bay, Vol. 2*, 470-477.

to mediate economic change through traditional localities, even as it gave their constituents a vested interest in a new paper money economy supported by public faith in the provincial political community.

Whether the postponement of mortgage payments or government taxes breached public faith was ultimately a matter of perspective and perception. In printed pamphlets and essays, opponents of paper money claimed that colonial legislatures breached the public faith every time they postponed paper money's retirement. When taxes were diverted or mortgage payments were delayed, paper money became unhinged from the real assets that secured its value in exchange. Such money, Thomas Hutchinson remarked, may just as well be "Emitted on a mere imaginary bottom."<sup>73</sup> Lacking "a secure Fund to sink" the bills of credit, another commentator predicted, the entire currency supply could depreciate.<sup>74</sup> More importantly, altering the fund that backed paper money after the money was already in circulation constituted a breach of public faith. Hence, Hutchinson and other opponents of paper money maintained that discounting paper money not only decreased the money's present exchange value but also diminished trust in the government that issued it.

Proponents of paper money interpreted colonial governments' ability to discount their currencies not as a breach of faith, but as a policy (though not always well-advised) that legislatures were sometimes expected to implement in the face of military and economic exigencies. The Massachusetts bills of credit, John Wise reckoned, "have paid our Expenses thro' a long and Bloody War; without which we should never have been

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<sup>73</sup> Hutchinson, *A letter to a member of the Honourable House of Representatives*, 2

<sup>74</sup> Mackworth, *Sir H. Mackworth's proposal in miniature*, 16.

able to submit.” Others blamed the wars themselves for currency depreciation but stopped short of castigating the government for breaching public faith. “The Calamities, which have happened to our Money,” a South Carolina essayist later recalled, “have not been from the Nature of Paper-Money itself, but from the Indian War, and the ill Management it has met with since.”<sup>75</sup> Colonial legislatures manipulated paper money’s fiscal structure to finance unanticipated military expenditures at a deficit and to help colonists weather economic downturns long after the wars had ended.

Legislatures that postponed the redemption of paper money in order to provide debt relief or increase liquidity were also responding to popular demand for an adequate medium of exchange. Clearly, the benefits of discounted or depreciated paper money far outweighed the costs of money scarcity. According to a recent econometric study of the New England economy, the expansion of paper money in the first half of the eighteenth-century stimulated real commercial sector growth. While “monetization” caused some inflation, the paper money supply grew in size more quickly than it depreciated in value, and the widespread availability of a medium of exchange encouraged economic activity throughout New England that would have been impossible under barter conditions.<sup>76</sup> From this perspective, postponing paper money’s retirement was not a breach of public faith but a public policy that imbued bills of credit with meaning beyond their exchange value.

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<sup>75</sup> *An Essay on Currency*, 10.

<sup>76</sup> Peter L. Rousseau and Calen Stroup, “Monetization and growth in colonial New England, 1703-1749,” *Explorations in Economic History* 48, no. 4 (2011): 600-613.

Despite colonial leaders' best efforts to channel economic transformation through existing political and social structures, the peacetime expansion of paper money depersonalized economic relationships, making them antagonistic in some ways to a traditional social order bound by kinship and deference. On one hand, government-issued paper money reinforced the aspects of an older economic morality that emphasized the rights and obligations of individuals, the responsibility of government to shape the public good, and a conception of society as a corporate whole.<sup>77</sup> At the same time, bills of credit challenged traditional economic thinking. Seventeenth-century colonial economic life had been shaped by intimate bonds of dependency. Colonists in need of money relied on their wealthy neighbors, with whom they were often locked in lifelong relationships of paternal dependence. Bills of credit infused colonial economies with new lifeblood, giving debtors greater access to money and credit, the ability to pay private debts with government-issued money, and relief from the high private interest rates associated with money scarcity.<sup>78</sup>

Paper money loosened the traditional ties of economic dependency between creditors and debtors. While such ties had previously given structure to a strict social hierarchy of moneyed men and their dependents, the creation of a circulating public credit reoriented the old vertical bonds of obligation and dependency, fostering new horizontal interdependencies among colonists and between colonists and the provincial government based on public faith. When John March of Newbury, Massachusetts

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<sup>77</sup> Donald E. Frey, *America's Economic Moralists: A History of Rival Ethics and Economics* (Albany: State University of New York Press, 2009), 4-8; Nash, *Urban Crucible*, 47.

<sup>78</sup> Bushman, *From Puritan to Yankee*, 117-120.

borrowed £114 from Timothy Clark, Samuel Phillips, and Joseph Buckley in March of 1697, for example, he was instructed pay his creditors in “our money” the following June. Likewise, a counter bond signed in May of 1730 by the Braintree cordwainer Amos Stetson secured an obligation payable “in Good Bills of Credit on the Province of the Massachusetts Bay” the following December.<sup>79</sup>

While driving the expansion of private credit, paper money increased the ability of provinces and towns to pay public servants, privateers, and other public creditors in cash. Reverend John Brown, the congregational minister of Haverhill, Massachusetts from 1719 to 1742, for example, received one half of his annual £100 salary in money and the other half in either money or corn. Because colonists regularly used the words “cash” and “money” interchangeably with “bills [of credit]” and “[treasurer’s] notes,” it is impossible to know with certainty what proportion of Brown’s salary was actually paid in government-issued paper money. Yet over the course of his tenure, he recorded over forty separate receipts of paper money in amounts ranging from ten shillings to twenty pounds and fifteen shillings. Brown occasionally received money from the town treasurer, but oftentimes it came directly from the constables who had collected the town taxes. The frequency with which the treasurer and constables paid the minister in paper money was probably much higher, since colonists tended to not differentiate between types of money in their accounts.<sup>80</sup>

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<sup>79</sup> Joseph Buckley Account Book, 1693-1701, March 12, 1697, MHS; Amos Stetson Bond to Richard Thayer, May 8, 1730, Braintree, Miscellaneous Manuscripts, MHS.

<sup>80</sup> John Brown Account Book, 1718-1742, Haverhill, Mass (photocopy), MHS. In this case, what are determined to mean paper money include “Treasurer Notes,” “Notes,”

Continual warfare in northern New England meant that the colonies, especially Massachusetts, made frequent allowances for military expenditures to individuals after Queen Anne's War had ended. In 1727, Colonel John Stoddard of Northampton received £22 in bills of credit from the Massachusetts government "for supplies for His Honor, Council, and Attendants in their Journey Eastward" following "Dummer's War" against the Wabanaki (1722-25). Stoddard used these and other bills of credit he received from the provincial treasurer to repay his own creditors, including ten shillings to Mr. Pigott "to buy fowl & greens," one pound and eleven shillings to Colonel Wainwright for the lemons requested by the governor, and one pound, sixteen shillings, and seven pence to Elizabeth Graves for her washing services.<sup>81</sup>

When Reverend Brown, Colonel Stoddard, and other government creditors brought the bills of credit they received as payment for their services to market, they created a circulating medium of exchange that virtually anyone could use. Within local communities, paper money lubricated reciprocal trade relations by expanding available credit. The Hingham, Massachusetts weaver John Fearing was using paper money as early as 1706 to trade local livestock, household goods, and labor with his neighbors. Sometime in 1722, Fearing lent a "twenty shilling bill" to Isaack Land, while on May 17, 1725, he received "Bill[s] of Credit" from Ephraim Wilder as payment for a debt.<sup>82</sup> Likewise, the Norwich, Connecticut weaver Isaac Huntington sold cotton, linen, and wool woven from his own sheep to neighbors in exchange for food, tobacco, labor, and

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"Treasurer Bills," "Province Bills," "Bills," "Bills of Credit," or, after 1741, "Old Tenor."

<sup>81</sup> John Stoddard Account Book, 1727, MHS.

<sup>82</sup> John Fearing Account Book, 1703-1737, Hingham, Mass., WL.

cash, receiving government-issued bills of credit in transactions with Isaac Tracy, Samuel and William Lothrop, Joseph Griswold, and Jacob Hansen between 1732/3 and 1740.<sup>83</sup> In 1741, one Thomas Berkin owed a total of three pounds and eight shillings to an unnamed weaver in Massachusetts or Connecticut from whom he had received corn, cash, and “a bill of credit.”<sup>84</sup>

Paper money quickened the circulation of foreign commodities and consumer goods in colonial America by facilitating the internal trade of such products within secondary local credit markets. In the 1720s, an unidentified colonist in New York or New England purchased rum, molasses, and allspice from “Mr Fitch” with “a note fifteen shillings” and “bills 5 shillings & 6 [pence].” On March 28, 1728, the colonist settled his or her account with “James McJorew” with “12 shillings in Bills of Credit,” the same day that McJorew had left him or her “two yards of Calico” worth six shillings per yard.<sup>85</sup>

While paper money altered real social and financial ties on the ground, at a more fundamental level, bills of credit reflected colonial governments’ changing relationship to the economy itself. Particularly in New England, seventeenth-century civil leaders had aimed to contain moral corruption, channel economic competition and ambition, and preserve traditional social hierarchies. Farmers’ dependence on town commons for grazing and growing created a cooperative economic life. Consensus also dominated political society, with frequent town meetings to accommodate the greater good. Town

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<sup>83</sup> Isaac Huntington Ledger, 1732-1743, Norwich, Ct., WL.

<sup>84</sup> Unidentified Weaver’s Account Book, 1739-1741, Massachusetts or Connecticut, WL.

<sup>85</sup> W.M. Account Book, 1713-1728, New York or New England, WL.

and colony governments guarded the communal ideal by imposing just price laws, controlling wages, prohibiting usury, and acting as a steward of the poor.<sup>86</sup>

Paper money changed the nature of the government's intervention in colonial economic life. Paper money regimes facilitated, rather than stifled, economic activity and market growth by supplying a circulating medium of exchange, and they established public land banks that encouraged private individuals to improve and expand their family farms. Land banks increased the colonies' ability to respond to money scarcity independent of government spending levels, while creating new forms of public debt that bound constituents in obligation to the provincial government. Like private debt instruments, government bonds—such as the £20 loan Jeremiah Hunt received from his town trustees in 1728—were payable in the province's bills of credit.<sup>87</sup>

Even as the economic implications of paper money eroded traditional social hierarchies, however, provincial governments aimed to preserve the communal ideal of the body politic. Abandoning medieval-era usury restrictions and just price laws, colonial legislatures instead began using paper money to achieve similar goals. They lowered private interest rates by creating a circulating public credit and providing public loans to individuals at low interest. They delivered popular debt relief by devaluing paper money and obliging creditors to accept it at face value. Finally, they used the interest from loans

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<sup>86</sup> Bushman, *From Puritan to Yankee*, 3-21; James A. Henretta, *The Origins of American Capitalism: Collected Essays* (Boston: Northeastern University Press, 1991), 43-59; Allan Kulikoff, *From British Peasants to Colonial American Farmers* (Chapel Hill: University of North Carolina Press, 2000), 122-123.

<sup>87</sup> Jeremiah Hunt's obligation bond to the trustees of Billerica, with payments of interest and principal recorded on the back, April 11, 1728, Boston, Broadsides, MHS.

for poor relief and other public goods such as workhouses, roads, and bridges. Paper money thus combined traditional intent with revolutionary possibilities.

In turn, paper money regimes strengthened the colonial legislature's position as the "head" of the body politic. Circulating public credit was also a public loan to the government that enabled the legislature to marshal resources in the wars against French, Spanish, and Native American rivals. As a result, paper money expanded the legislature's power over the towns and counties, binding colonists to the provincial political community through mutual obligation and a shared stake in the colony's future. Currency policies increased colonial legislatures' ability not only to wage war but also to offer loans to individuals and towns. Ultimately, greater monetary liquidity lessened colonists' resistance to taxation, making tax collection easier and more profitable for the province.

As paper money altered both the character of colonial social relationships and the nature of governmental invention in the economy, it changed how people related to each other in public life. This change led to a larger transformation of the provincial political community itself—from a communal body politic held together by blood and deference into a collective public bound by faith in a common political and economic future. Central to this process was paper money beckoning provincial governments and their constituents to reimagine colonial spaces with new potential. Essayists projected images of a colonial landscape emptied of its native inhabitants. John Wise predicted that with the help of bills of credit, "those Woods and Swamps which are now Impregnable Forts

and Ramparts for a Naked Skulking Enemy” would be transformed “in a Defensible manner” for English colonists into “a Wall of *China*.”<sup>88</sup>

Proponents of paper money publicized bills of credit as a means to finance “great useful Works” for developing the imperial fringe into a cosmopolitan society within the British empire.<sup>89</sup> Essayists saw manufactures fueled by symbolic capital as the key to not only creating a positive balance of trade with Britain but also harnessing the labor potential of the colonies’ most marginalized inhabitants. Wise envisaged spinning schools “for poor Women & children,” a paper mill, and “a Hospital for poor Boys as in London,” while the land banker John Colman proposed an iron works, a wool works, and a toll bridge over the Charles River.<sup>90</sup> The pro-paper money Pennsylvania legislator Francis Rawle recommended using bills of credit toward the making of flax into linen, because it was “lighter Work fit for Women and Children, either Negroes or White.” Rawle further suggested that the colonies establish “Distilling,” referring to it as “the Chemical Extraction of Spirits from Matter of low Value, whereby it is rendered of considerable Worth and Use.”<sup>91</sup> Distillation, the process of producing ethanol from fermented fruits or grains, may well have been intended as another metaphor for turning paper into money.

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<sup>88</sup> [Wise], *Word of Comfort to a Melancholy Country*, 25-26.

<sup>89</sup> *Reflections on the Present State of the Province*, 10

<sup>90</sup> Wise, *The Freeholder’s Address*, 4-6; Colman, *The distressed state of the town of Boston considered*, 4-5, 8.

<sup>91</sup> Francis Rawle, *Ways and Means for the Inhabitants of Delaware to Become Rich: Wherein the Several Growths and Products of These Countries are Demonstrated to Be a Sufficient Fund for a Flourishing Trade* (Philadelphia, 1725), 36, 39.

Colonists' desire to establish manufacturing independent of Great Britain was connected to their perceived need to diversify colonial economies long reliant on agricultural commodities. Proponents of paper money in the Chesapeake Bay, for example, wanted bills of credit to help expand an economic zone dependent on the tobacco export market. Maryland and Virginia colonists had circulated tobacco receipts as commodity money since the seventeenth century, and tobacco itself was a legal tender in the payment of taxes. Adopting tobacco notes as money, however, had encouraged extensive cultivation and overproduction of the cash crop, which glutted the world market, driving prices down. If bills of credit replaced tobacco money, proponents of paper money in the Chesapeake colonies argued, then farmers would feel less pressure to produce tobacco and more willing to pursue alternative forms of economic development.<sup>92</sup>

The Maryland lawyer Ebenezer Cooke extolled paper money's virtues in a 1730 satiric poem entitled *Sotweed Redivivus*, published three years before Maryland issued its first bills of credit in 1733. Paper money, the poem's protagonist rhymed in the First Canto, was just as good specie: "The Case to me seems very plain; / Said I to Planter Standing by, / And was for Paper Currency:/ It's Money, be it what it will, / In Tan-Pit coined, or Paper-Mill." Cooke mocked the assembly's misgivings over a paper money act, particularly the allegation that "Planters, when in drink, / Would light their Pipes with Paper Chink." In the Second Canto, he advanced a scheme that proposed limiting tobacco production and requiring that all taxes be "paid in Currency." A circulating paper

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<sup>92</sup> Baker, *Securing the Commonwealth*, 44-47.

money, Cooke concluded in the Third Canto, would not only facilitate the planting of “Hemp, Flax, Rice,” and “Cotton” but also induce young “Mechanics” and “Mariners” to come to the colony to practice their trades. The Maryland environment was particularly well suited for shipbuilding: “From Hemp and Flax, may Canvas Sails / And Ropes be drawn, that seldom fails, / In stormy Winds, to act their Part, / It twisted well by human Art.”<sup>93</sup> Cooke and others wrote about bills of credit in terms of the economic *potential* of the provincial community that created it. Understood in this way, paper money was not simply a medium of exchange but an instrument for realizing the possibilities and the promise of the New World.<sup>94</sup>

Maryland’s paper money regime was unique among the colonies in the circumstances that led to its creation. With the exception of Pennsylvania and the lower counties, Maryland was the only colony to establish bills of credit in peacetime. Rather than military exigencies or outstanding war debts, it was the colony’s dependence on tobacco that drove the creation of a circulating currency where none had existed. While Maryland had experimented with minting its own coins in the first half of the seventeenth century, its primary means of exchange was the “noxious weed” itself.<sup>95</sup> But the monetization of tobacco was problematic, not only because it encouraged overproduction

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<sup>93</sup> [Ebenezer Cooke], *Sotweed Redivivus: Or the Planters Looking-Glass in burlesque verse* (Annapolis, MD, 1730), 3, 8, 19, 24.

<sup>94</sup> Baker, *Securing the Commonwealth*, 20-25.

<sup>95</sup> “An Acte Concerning the Setting up of a Mint within this Province of Maryland,” in William Hand Browne, ed., *Proceedings and Acts of the General Assembly January 1637/8-September 1664, Vol. 1* (Baltimore, MD, 1883), 414-415, *Archives of Maryland Online*, <http://msa.maryland.gov/megafile/msa/speccol/sc2900/sc2908/000001/000001/html/am1-414.html>.

of the crop (driving down prices) but also because tobacco itself was an inefficient means of conducting exchange and paying taxes due to differences in quality and variety. Nor did tobacco money do much to encourage or support internal trade, since the monocrop culture depended heavily on imports from Britain. Instead, planters sold their crops on consignment or to local merchants in exchange for bills of exchange or retail credit with the aim of purchasing foreign commodities.

The Maryland Paper Money Act of 1733 resulted from a consensus among large planters, smaller farmers, and the proprietor that the demonetization of tobacco was necessary in order to reduce crop output, increase tobacco prices, and streamline tax collection. Provincial print culture, particularly the establishment of Maryland's first newspaper, *The Maryland Gazette*, in 1727 helped inform the larger public about the benefits of a paper money economy. From Cooke's humorous *Sotweed Redivivus* to a reprint of Benjamin Franklin's *A Modest Enquiry into the Nature and Necessity of a Paper-Currency* (1729), the *Gazette* published pieces that illustrated the financial and social possibilities of paper money. In the end, however, the goal of Maryland's paper money regime was not to facilitate internal exchange, encourage economic diversification, or enhance government spending, as some writers envisioned, but rather to manipulate the tobacco export trade. Unlike the constituents of other colonies, Marylanders were discouraged from using paper money to pay their taxes, ultimately

diminishing the money's usefulness as a circulating medium, along with its potential for colonial development and growth.<sup>96</sup>

From Puritan New England to the tobacco Chesapeake and the South Carolina low country, colonists imagined harnessing paper money's productive power to convert worthless materials into useful resources. As a collective asset, local paper money aided in the military fortification and commercial diversification of the British imperial fringe. Likewise, paper money served as a social tool of community building, benefitting the provincial body politic by entangling individual interests with public welfare. Bills of credit enmeshed civic with financial faith, encouraging constituents to speculate on a common future, while fostering political stability and social cohesion among colonists—and between colonists and the provincial political community—at a time when they needed it the most.<sup>97</sup>

When the War of the Austrian succession broke out in Europe in 1740, public debt, paper money, government bonds, and land banks formed the basis of fiscal and monetary localism in early America. Central to the new order was the rejection of the traditional idea that money had to have “intrinsic” value in favor of a new notion of money as a representation of value that existed elsewhere in space and time. Founded on the legislative prerogative to create money and mediate value, the new monetary order

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<sup>96</sup> Smith, “Some Colonial Evidence on Two Theories of Money”; Farley Grubb, “Creating Maryland's Paper Money Economy, 1720-1739: The Role of Power, Print, and Markets,” NBER Working Paper 13974, National Bureau of Economic Research, Cambridge, MA, 2008.

<sup>97</sup> Christine L. Heyrman, *Commerce and Culture: The Maritime Communities of Colonial Massachusetts, 1690-1750* (New York: Norton, 1984), 86; Claire Priest, “Currency Policies and Legal Development in Colonial New England,” *The Yale Law Journal* 110, no. 8 (2001): 1303-1405; Baker, *Securing the Commonwealth*, 2-4, 16-20, 28, 47.

enhanced government taxing and spending, facilitated economic activity, and even stimulated depressed trade—and it was all supported by sustained by public faith in paper money and the government that issued it. Ultimately, public faith formed the basis of a political economic system in the British colonies that would challenge traditional assumptions not only about money and value but also about wealth, property, labor, and the nature of the provincial political community itself.

## CHAPTER FOUR

### COINED LAND

In our colony of Pennsylvania, the land itself, which is the chief commodity, is coined, and passes in circulation. The manner of conducting this affair is as follows:—a planter, immediately after he purchases any land, can go to a public office and receive notes to the amount of half the value of his land; which notes he employs in all payments, and they circulate through the whole colony, by convention. To prevent the public from being overwhelmed by this fictitious money, they are two means employed—first, the notes issued to any one planter, must not exceed a certain sum, whatever may be the value of his land: secondly, every planter is obliged to pay back into the public office every year one tenth part of his notes; the whole, of course, is annihilated in ten years; after which, it is again allowed him to take out new notes to half the value of his land.

David Hume (1769)

In the spring of 1722, a rumor involving a Pennsylvania colonial official and a copper mine flew through Philadelphia. The lieutenant governor William Keith had apparently discovered a mine two miles beyond the Susquehanna River, in present-day York County. He purchased the land “at an extravagant rate,” before absconding from the governor’s residence with two servants and a surveyor named Jacob Taylor. When the group arrived at their destination, Keith made Taylor “lay out 500 Acres of Land...on the spot where the Mine is.” The Penn family agent James Logan, certain that Keith’s “method...will be, to get some great men...possessed with a Notion of some great Treasure to be had,” rushed to the scene to convince Keith to hand over the tract to the proprietors.<sup>1</sup> In a letter to Hannah Penn defending his integrity against Logan’s

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reproaches, however, Keith maintained that to the proprietors' benefit, "the Extravagant humour which prevails here about mines has considerably raised the value of Lands." Keith was exaggerating, but his claim evinced an interesting notion about the origins of value: that a collective hope in unearthing buried treasure could substantially inflate a colony's worth.<sup>2</sup>

Money scarcity after Queen Anne's War (1702-13) may have helped fuel the mid-Atlantic mining craze.<sup>3</sup> The lack of specie was particularly pronounced in Pennsylvania, where colonial legislators had never authorized bills of credit backed by taxes, and foreign coins remained the primary local medium of exchange. No sooner had Keith's scheme to mine copper fizzled out than the governor collaborated with the provincial legislature to establish the colony's first paper currency. Issued through a provincial loan office, the money's value was secured by mortgages on private property.

While previous scholars have shown that land banks in the mid-Atlantic colonies improved business conditions following periods of economic depression, less attention

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<sup>1</sup> James Logan to Simon Clement, April 22, 1722, Penn Family Papers, Historical Society of Pennsylvania (hereafter Penn Family Papers).

<sup>2</sup> William Keith to Hannah Penn, July 5, 1722, Penn Family Papers.

<sup>3</sup> Pennsylvania colonists were not the only ones to be hit by the copper bug. Jersey yeomen had been digging for iron and copper since the beginning of the eighteenth century, but these were small-scaled operations. Then, in 1721, a Newark man named John Dod struck copper, and the same year, a slave belonging to the prominent Schuyler family discovered copper on Arent Schuyler's Bergen County property. See Brendan McConville, *These Daring Disturbers of the Public Peace: The Struggle for Property and Power in Early New Jersey* (Philadelphia: University of Pennsylvania Press, 2003), 98-100; Wayne Bodle, "'Such a Noise in the World': Copper Mines and an American Colonial Echo to the South Sea Bubble," *The Pennsylvania Magazine of History and Biography* 127, no. 2 (2003): 131-65. On Governor Keith's Pennsylvania mine, see James A. Mulholland, *A History of Metals in Colonial America* (University: University of Alabama Press, 1981), 49-50.

has been paid to how financial innovations such as paper money helped transform early American political economy.<sup>4</sup> This chapter deals with the origins and progress of Pennsylvania's paper money regime to illustrate how paper money came to form the basis of a political economic order in colonial America founded on legislative control over the money supply and a notion of local value that pegged economic worth to "the land itself."<sup>5</sup> Three main factors—changes in fiscal policy, changes in the law, and the creation of "public opinion"—formed the dynamic that fundamentally altered Pennsylvania's political economy and ultimately that of the region. By 1730, a very different political economic order had emerged throughout the mid-Atlantic colonies, with these three factors defining many of its characteristics.

The shift from war to peace prompted a renewed interest in land banks throughout North America that eventually spread to Pennsylvania. By the end of Queen Anne's War, eight British colonies had created paper money backed by taxes: Massachusetts, South Carolina, New York, New Jersey, Connecticut, Rhode Island, New Hampshire, and North Carolina. Some of these colonies had already established land banks to supply a medium of exchange when the contraction of government expenditures after the wars rendered the available supply of tax-backed money insufficient.

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<sup>4</sup> For example, Mary M. Schweitzer, *Custom and Contract: Household, Government, and the Economy in Colonial Pennsylvania* (New York: Columbia University Press, 1986); Gary Nash, *Urban Crucible: Social Change, Political Consciousness, and the Origins of the American Revolution* (Cambridge, MA: Harvard University Press, 1979); Richard A. Lester, "Currency Issues to Overcome Depressions in Pennsylvania, 1723 and 1729," *Journal of Political Economy* 46, no. 3 (June 1938): 324–75.

<sup>5</sup> David Hume and John Hill Burton, *Life and Correspondence of David Hume, Volume 2* (Edinburgh, 1846), 427.

These were not “banks” in the modern sense. On the contrary, their advocates drew on an older English model going back to the Tudor era. The earliest banking proposals appeared during Elizabeth I’s reign (1558-1603), while the Protestant social reformers William Potter and Samuel Hartlib proffered some of the first land bank schemes during the Interregnum (1649-60).<sup>6</sup> Rejecting the medieval notion that money had to have “intrinsic” value, proponents of land banks argued that all money was really just “Trust,” or credit, backed by “a firm and real Security,” the material foundation of that credit—in this case land.<sup>7</sup> Their ideas spread to New England, where a group of prominent colonists nearly managed to establish a private land bank in the 1680s.<sup>8</sup>

The transfiguration of land into money implicated governmental power in a new way. Tax-anticipation treasury notes emitted by colonial legislatures during the Anglo-French imperial wars represented interest-free loans from the public to the government. In contrast, money issued through land banks (or loan offices) comprised interest-bearing loans to private individuals, with interest going to the public good. As collateral for loans, settlers who met the minimum property requirement mortgaged their real estate to the legislature.<sup>9</sup> Legal tender in payments and transferrable from person to person, land bank

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<sup>6</sup> R. D. Richards, *The Early History of Banking in England* (New York: Routledge, 2012), 92–131.

<sup>7</sup> William Potter, *The Key of Wealth: Or, A new Way, for Improving of Trade* (London, 1650), 34, 38. See also Samuel Hartlib, *A discoverie for division or settling out of land, as to the best Form* (London, 1653).

<sup>8</sup> Dror Goldberg, “Why Was America’s First Bank Aborted?” *The Journal of Economic History* 71, no. 1 (March 2011): 211–22.

<sup>9</sup> Most of the loans issued to colonists by the Pennsylvania General Loan Office can be found in James M. Duffin, *Guide to the Mortgages of the General Loan Office of Pennsylvania, 1724–1756* (Philadelphia: Genealogical Society of Pennsylvania, 1995). See also Keith Arbour, *Benjamin Franklin’s First Government Printing: The*

money circulated as a medium of exchange among the colonial population.<sup>10</sup> The success of the Pennsylvania General Loan Office compared to fledgling land banks in other colonies affirmed what had been a tenuous link between legislative prerogative and local value. The connection remained fragile in such places as Massachusetts and South Carolina, where the demands of war invited frequent emissions of bills of credit, and the policy of postponing taxes intended to remove those bills from circulation discounted paper money's exchange value.<sup>11</sup>

By 1715, Pennsylvania was a young, politically contentious, and rapidly growing colony. William Penn's death in 1718 helped usher in a new era of Pennsylvania politics under William Keith, a popular governor whose coalition with antiproprietary forces posed a formidable challenge to the Penn family's main representative, James Logan. The economy, stifled by the Anglo-French war crisis, revived alongside Pennsylvania's West

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*Pennsylvania General Loan Office Mortgage Register of 1729, and Subsequent Franklin Mortgage Registers and Bonds* (Philadelphia: American Philosophical Society, 1999).

<sup>10</sup> For an overview of the early American land bank system, see Theodore Thayer, "The Land-Bank System in the American Colonies," *The Journal of Economic History* 13, no. 2 (1953): 145–59.

<sup>11</sup> Opponents of paper money in Massachusetts were right in blaming the postponement of taxes for the instability of Massachusetts's currency. See Thomas Hutchinson, *A Letter to a member of the Honourable House of Representatives, on the present state of the bills of credit* (Boston, 1736); William Douglass, *A discourse concerning the currencies of the British Plantations in America* (Boston, 1740), in Andrew McFarland Davis, ed., *Colonial Currency Reprints, 1682–1751*, 4 vols. (Boston: Prince Society, 1911), 3: 307–56 (hereafter *CCR*). For a contemporary record of South Carolina's policy of postponing taxes, see [William Bull], "An Account of the Rise and Progress of the Paper Bills of Credit in South Carolina, from the year 1700 to this present time..." [1739], in Thomas Cooper and David J. McCord, eds., *The Statutes at Large of South Carolina, Vol. 9*, (Columbia, SC, 1841), 766–779. Massachusetts and South Carolina often postponed the collection of future taxes and diverted existing tax funds to military expenditures during their continual wars with the French, Spanish, and Native Americans. Until King George's War (1744–48), Pennsylvania was shielded from the Anglo-French rivalry by virtue both of its geographic location and of its antiwar Quaker population.

Indies flour trade, and political power stabilized within a small group of merchants and landowners.<sup>12</sup>

In less than a decade, however, Pennsylvania's economic growth had tapered off and political harmony dissolved. By 1720, the colony was in the midst of a full-blown depression. The South Sea Bubble was partly to blame. Launched in 1711 by the British Tory minister Robert Harley, the South Sea Company was granted a monopoly on the African slave trade before agreeing to help restore the nation's sunk credit in 1719 by absorbing Britain's debt in exchange for shares. Company stock soared in anticipation of large profits from the slave trade to Spanish America, peaking in 1720 before collapsing when it became clear that such profits would not be realized.<sup>13</sup> British interest rates spiked after the bubble burst, leading to a transatlantic credit crunch. London merchants stopped extending loans to their colonial counterparts, and instead they called in their debts.<sup>14</sup>

While it would be tempting simply to blame Pennsylvania's depression on the South Sea Bubble, colonists had actually been complaining about the province's lack of

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<sup>12</sup> Gary Nash, *Quakers and Politics: Pennsylvania, 1681–1726* (Princeton, NJ: Princeton University Press, 1968); Thomas Wendel, "The Keith-Lloyd Alliance: Factional and Coalition Politics in Colonial Pennsylvania," *The Pennsylvania Magazine of History and Biography* 92, no. 3 (1968): 289–305.

<sup>13</sup> Carl Wennerlind, *Casualties of Credit: The English Financial Revolution, 1620–1720* (Cambridge, MA: Harvard University Press, 2011), 199–230.

<sup>14</sup> On the South Sea Bubble, see John Carswell, *The South Sea Bubble* (Stanford, CA: Stanford University Press, 1960); Richard Dale, *The First Crash: Lessons from the South Sea Bubble* (Princeton, NJ: Princeton University Press, 2004).

cash for decades.<sup>15</sup> The money scarcity stemmed from a combination of causes that affected different groups of people in different ways. In February of 1717, a group of two hundred petitioners blamed “the want of running Cash” in part on the importation of “sundry merchandizes and Especially servants” since Queen Anne’s War. The expansion of Atlantic commerce had increased the negative balance of trade between Pennsylvania and Britain, which in turn “drain[ed] the province of the current Coin to that degree that thereby the whole Government is deprived of the Sinews of life and Trade without which no Country can Expect to flourish and prosper.” To make up for their lack of a local medium of exchange, the petitioners asked the legislature to make the country produce legal tender in payments, as had long been practiced in New England and the Chesapeake.<sup>16</sup>

Another source of money scarcity was Parliament’s regulation prohibiting the provincial legislatures from lowering the “par of exchange” (legal exchange rate) between foreign coins and British sterling. Since the seventeenth century, colonial governments had routinely devalued (or “raised”) foreign coins as a means to alleviate specie scarcity. Thus, while in Britain a Spanish dollar cost four shillings and six pence through the eighteenth century, in Pennsylvania it was worth seven shillings, ten pence,

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<sup>15</sup> “At a Councill Roome at Philadelphia,” 7 February 1688/89, in Samuel Hazard, ed. *Minutes of the Provincial Council of Pennsylvania from the organization to the termination of the proprietary government, Volume 1* (Philadelphia, 1852), 236.

<sup>16</sup> “Petitions relating to the scarcity of current cash,” February 10, 1717/18, Society Miscellaneous Collections, Petitions relating to coinage/currency, 1717–1848, box 4b, folder 2, Historical Society of Pennsylvania (hereafter HSP).

and rising by 1700—a par of exchange of £174 colonial money to £100 sterling.<sup>17</sup> Lowering foreign coins' par of exchange with sterling eased money scarcity because it increased the coins' local value. However, colonial merchants and creditors lamented that “raising” coins lessened the value of debts contracted in pounds sterling but payable in the devalued coin. William Penn once claimed that it diminished his quitrents by a full third, and he wished that “all were at par; that an ounce of silver [were] an ounce of silver in all the Dominions of the Crown.”<sup>18</sup> By requiring legislatures to maintain a par of exchange of £133 to £100, Queen Anne's Proclamation of 1704 (which Parliament made into law in 1707) aimed to do that.

At the same time, Queen Anne's Proclamation contributed to Pennsylvania's money leakage because colonies that flouted the regulation could obtain coins there at proclamation rates and put them toward their own trade balances with Britain.<sup>19</sup> “Our late Compliance in reducing our own coin...and our neighboring Colonies retaining their former Currency,” the 1717 petition explained, “is the reason they daily drain us of our money.” New York merchants had few qualms about exporting the specie they acquired

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<sup>17</sup> John J. McCusker, *Money and Exchange in Europe and America, 1600-1775: A Handbook* (Chapel Hill: University of North Carolina Press, 1993), 175.

<sup>18</sup> “America and the West Indies: April 1703,” in Cecil Headlam, ed., *Calendar of State Papers Colonial, America and West Indies: Volume 21, 1702–1703* (London: His Majesty's Stationery Office, 1913), 349–69, *British History Online*, <http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol21/pp349-369>.

<sup>19</sup> While theoretically, the par of exchange was £133 Pennsylvania money to £100 English sterling after the provincial government enforced Queen Anne's Proclamation in 1709, the commercial rate of exchange continued to fluctuate around the par of exchange. For example, if “silver exchange” was at 10 percent, a merchant would have to pay £147 to purchase a £100 bill of exchange on sterling. If the silver exchange was at 30 percent, a £100 bill of exchange would cost a person £173. McCusker, *Money and Exchange Handbook*, 176.

from Pennsylvania to Britain because they had plenty of paper money for conducting local exchange.<sup>20</sup> In order to prevent colonies such as New York from siphoning away all their specie, the petitioners called on the legislature to reverse the proclamation by “raising the Value of Coin.” This, they insisted, would prevent ordinary colonists from having to depend on moneylenders or else resort to barter.<sup>21</sup>

Lastly, the province’s wealthiest traders linked money scarcity to sinking flour prices abroad, which itself had resulted from greater competition and larger crops after Queen Anne’s War. “We are Extremely Dull here flour still like to be low,” the merchant and slave trader Jonathan Dickinson informed his London associates in the spring of 1715, and “we are Drained of money.”<sup>22</sup> A week later, Dickinson supposed that were it not for its low grain prices and shrinking money supply, the province would be “in a flourishing Condition yet these Consequences Doth Stagger the people who complain greatly.”<sup>23</sup> The Philadelphia merchant had his own reasons to be concerned. Stagnant markets abroad diminished colonial profits, contributing to Pennsylvania’s negative trade balance with Britain and exacerbating the colony’s money scarcity. For provincial

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<sup>20</sup> New York Surveyor General Cadwallader Colden reported in 1723 that New York’s trade to the West Indies “is wholly to the advantage of this Province the Balance being everywhere in our favor so that we have money remitted from every place we trade with. . . . But whatever advantages we have by the West India Trade we are so hard put to it to make even with England, that the money imported for the West Indies seldom continues six months in the Province, before it is remitted for England The Current Cash being wholly in the Paper Bills of this Province & a few Lyon Dollars.” See “Of the Trade of New York By C Colden, Surveyor General of the Province” (1723), in *Documents Relative to the Colonial History of the State of New-York*, ed. John R. Brodhead, vol. 5 (Albany, NY, 1855), 685–86.

<sup>21</sup> “Petitions relating to the scarcity of cash,” HSP.

<sup>22</sup> Dickinson to John Lynch & Co, April 23, 1715, Jonathan Dickinson Letterbook, 1714-22, LCP (hereafter Dickinson Letterbook).

<sup>23</sup> Dickinson to John Harriot, April 28, 1714, Dickinson Letterbook.

merchants, money scarcity meant paying higher prices for bills of exchange payable in London. At 1715, a Philadelphia trader could expect to pay a 40 percent advance on an endorsed bill of exchange, or £186 colonial money (£133 plus 40 percent) for £100 sterling.<sup>24</sup>

Increasing consumer demand for British commodities after Queen Anne's War created additional problems for Atlantic traders like Dickinson, who were uneager to take advantage of London merchants' enticing credit terms. "We are full of Goods & Little or no money to pass amongst us," Dickinson told a correspondent in 1715.<sup>25</sup> While many importers preferred to purchase goods on credit rather than pay up front, however, he and others "that do shun the Credit given" were "content to be passive until the country can raise a Bank of Credit."<sup>26</sup>

Against a backdrop of increasing money scarcity, the Pennsylvania provincial assembly tried every measure *except* issuing bills of credit to improve economic conditions. During the assembly session lasting from October of 1717 to September of 1718, colonial lawmakers placed a duty on liquors and, in response to that year's petition, passed "An Act for the Better Encouraging the Trade of this Province." Citing the petitioners' concerns over neighboring colonies' refusal to comply with Queen Anne's Proclamation, the statute imposed a 10 percent duty on all goods imported from other provinces. The same day, the assembly put additional duties on imported liquors, hops, and flax and passed a *feme sole* law entitling wives to be traders "in their husbands'

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<sup>24</sup> Dickinson to John Lynch & Co, June 28, 1715, Dickinson Letterbook.

<sup>25</sup> Dickinson to John Gale, June 18, 1715, Dickinson Letterbook.

<sup>26</sup> Dickinson to Richard Champion, August 17, 1715, Dickinson Letterbook.

absence.” Other laws passed that day placed duties on imported slaves and shipping tonnage, provided for building workhouses and ferries, and raised county taxes.<sup>27</sup>

The legislation improved economic conditions slightly. The following fall, a Philadelphia merchant could sell British commodities to colonists for “ready money,” then purchase an endorsed bill of exchange on London at a 30 percent advance, or £173 Pennsylvania money for £100 sterling. The Anglo-American merchant Thomas Lawrence cited such amiable terms of exchange when he explained his decision to move from Britain to Philadelphia that year. Writing to his business partner in London, Lawrence was “apt to believe that This is at present a place of the most advantageous trade of any on The Continent.”<sup>28</sup>

Lawrence may have spoken too soon. His letterbook, in which he dutifully transcribed his transatlantic correspondence, provided a record Pennsylvania’s economic crisis as it unfolded. By early 1719, the once optimistic merchant “found bills [of exchange] very scarce.”<sup>29</sup> Lawrence and other traders were forced to “give at Least 6 months” for retail credit to colonial customers, “and then plagued to get in the money” when the debts became due. Meanwhile, world flour prices continued to decline. Given such uncertain circumstances, the Philadelphia newcomer asked his British supplier, one Samuel Storke, to refrain from sending him any more goods until he was certain he could

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<sup>27</sup>James T. Mitchell and Henry Flanders, eds. *The Statutes at Large of Pennsylvania from 1682 to 1801, Vol. 3, 1712 to 1724* (Harrisburg, PA, 1896), 141–91.

<sup>28</sup>Thomas Lawrence to Samuel Storke, October 2, 1718, Thomas Lawrence Letterbook, 1718-25, HSP (hereafter Lawrence Letterbook).

<sup>29</sup>Lawrence to Storke, April 22, 1719, Lawrence Letterbook.

sell them.<sup>30</sup> When Lawrence received an unsolicited shipment of goods on his and Storke's joint account in the spring of 1720, he had to refuse his share because he had no money to pay what he already owed Storke from a previous transaction. Eager to sell, British merchants had overwhelmed the province with "silk poplins" and "plain satins." Lawrence pledged to unload "whatsoever I possibly can to [Storke's] Advantage," but a few months later almost everything in his possession remained unsold.<sup>31</sup>

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Pennsylvania's economic crisis came to a head after the bursting of the South Sea Bubble. As merchants like Jonathan Dickinson and Thomas Lawrence contemplated how to pay their British creditors, ordinary colonists demanded major fiscal and legal changes to the province's economic order through political action. Under the antiproprietary leader David Lloyd and Governor William Keith's combined leadership, radicalized country yeomen joined with unruly urban artisans. In 1721, they petitioned the provincial assembly for a paper currency, but lawmakers rejected the proposal.

An increasingly pro-paper money constituency responded by voting their opponents out of the legislature. Also in 1721, the merchant and assemblyman Francis Rawle rose to local prominence with his proposal for a provincial loan office that would loan stamped paper money to colonists on the security of land mortgages, with interest from the loans going to the public good. Rawle went on to lead the antiproprietary party to victory, but not before the governor's council rebuked the printer Andrew Bradford for

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<sup>30</sup> Lawrence to Storke, May 10, 1719, Lawrence Letterbook.

<sup>31</sup> Lawrence to Storke, May 25, 1720, Lawrence Letterbook; Lawrence to Storke, July 28, 1720, Lawrence Letterbook.

publishing Rawle's pamphlet on the subject. The 1721 elections constituted a turning point; the debate over how to solve the depression had morphed "from a discussion of economic remedies to the accountability of representatives to their constituents, the organization of politics, and the nature of the body politic itself." Within a year, even most Philadelphia merchants had come around to supporting a paper currency. The only remaining opposition came from the Penn family and its agents, James Logan and Isaac Norris.<sup>32</sup>

Rawle proposed remedies for Pennsylvania's "melancholy Decay of Credit," which he attributed to a combination of factors. He blamed the decline in grain profits on "the Badness of our flour," noting that Pennsylvania lacked New York's flour inspection laws. But he also accused provincial merchants of importing too much rum and molasses when the colony could be growing its own barley for beer, and apples and peaches for brandy and other spirits. Low flour prices and a dependence on West Indian molasses both contributed to Pennsylvania's negative trade balance with Britain.

A lack of money for conducting local trade was just as responsible for "this Decay." Rawle lamented that the "Trades and Callings" of ordinary people were "discouraged and valued at nought," as the lack of a local medium of exchange reduced Pennsylvania to "a Country beggarly and scandalous, not worth Trading with." Without small change, families were unable to purchase their "common Necessities," and those with any money at all were exploited by dishonest "Knaves" peddling shoddy wares on credit.

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<sup>32</sup> Schweitzer, *Custom and Contract*, 123–25; Nash, *Urban Crucible*, 148–49; Lester, "Currency Issues to Overcome Depressions in Pennsylvania." Quotation is from Nash.

Rawle offered the usual fixes for bringing money back into the colony, such as reversing Pennsylvania's negative trade balance through some new industry while "raising" foreign coins. Conceding the futility of the first and the slowness with which the second could only be achieved, he suggested a third option: creating a new currency "by Publick Authority, which shall pass by Virtue of a Stamp impressed on something...whether it be Pewter, Silver, Spelter, Brass or Paper, it matters not which, the ready Currency of the Thing is all that is to be looked to." A kind of circulating paper money, he maintained, would be the best thing to recover Pennsylvania's "sunk Stock."<sup>33</sup>

Opponents of paper money throughout the British Atlantic world held the mercantilist view that only gold and silver could make up a country's "running stock," since only they had "intrinsick" or, as was increasingly being argued, "universal" value. Rawle turned this assumption on its head by emphasizing that their ancestors had used gold and silver as money by "general Consent and Choice," not because they contained inherent worth, and that they had arbitrarily given gold and silver value relative to other commodities. According to Rawle's logic, "any other Commodity may be made a running Stock." He suggested that a currency was only as valuable as it was useful to a community, citing Holland, where there was not enough gold and silver "to carry on the Domestic Trade, and [yet] nothing was equal to stamped paper." Surely, something similar could be carried on "in little Colonies," where the legislatures would secure paper money's value "by some visible Fund" agreed upon by the people.

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<sup>33</sup> Francis Rawle, *Some Remedies Proposed, for the Restoring the Sunk Credit of the Province of Pennsylvania* ([Philadelphia], 1721), 3–8.

From Rawle's perspective, local monetary value derived from—and was mediated by—the provincial political community itself. Citing the instability of Massachusetts's and South Carolina's currencies, Rawle laid out all paper money regimes' chief responsibilities: to imbue a currency with value, to preserve that value, and to eventually retire the money from use. The "Art of Managing of Paper-Money," he emphasized, meant avoiding issuing more than trade demanded, making it legal tender in payments, and placing it on a par with silver. In British colonies, the art of managing paper money was the art of creating and mediating value.<sup>34</sup>

By late 1722, the Pennsylvania provincial assembly was finally ready to pass a paper money bill in line with Rawle's proposal and popular demand. Already that year, lawmakers had enacted economic legislation that included new import taxes and excises, stricter usury laws, hemp bounties, a ban on molasses in beer brewing, and the flour inspection laws for which Rawle and others had advocated.<sup>35</sup> The legislature introduced still other measures, from prohibiting hiring out slaves to making produce legal tender, to "raising" foreign coins as petitioners had urged five years before.<sup>36</sup> "We are now reduced to the greatest straits through the Decay of Trade & for want of Money," James Logan informed a friend, "& therefore 'tis believed the Assembly...will attempt a Currency by Bills of Credit." The loyal guardian of proprietary interests suspected he was about to fall on the wrong side of history.<sup>37</sup>

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<sup>34</sup> Rawle, *Some Remedies Proposed*, 8–18.

<sup>35</sup> *The Statutes at Large of Pennsylvania, Vol. 3*, 264–97, 314–18.

<sup>36</sup> Lester, "Currency Issues to Overcome Depressions in Pennsylvania."

<sup>37</sup> James Logan to Simon Clement, November 22, 1722, Penn Family Papers.

In March of 1722/23, provincial lawmakers finally authorized an emission of £15,000 in legal tender paper money—an amount they tripled to £45,000 in December of 1723—and appointed Rawle to be one of the commissioners charged with signing the bills.<sup>38</sup> Delaware and New Jersey quickly followed suit. A month later, representatives of the Three Lower Counties met in assembly, and, with Keith’s encouragement, authorized their own paper money emission under similar terms.<sup>39</sup> Citing both examples, New Jersey established its public loan office in 1724. With no recourse to foreign trade, the New Jersey governor William Burnet had previously reported to the Board of Trade, farmers brought their grain to “the two neighbouring Colonies of New York and Pennsylvania,” where they were forced to take those colonies’ “Paper Bills for their Produce and yet these are not a legal Tender in Taxes or Debts between man & man in Jersey.”<sup>40</sup> While the colony had issued bills of credit in 1709 during Queen Anne’s War, most of that currency had already been retired from circulation. The New Jersey provincial assembly’s decision to transition from tax anticipation treasury notes to loan office money resulted in the creation of a land-backed currency popular with merchants, yeoman, and gentry alike.<sup>41</sup>

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<sup>38</sup> *The Statutes at Large of Pennsylvania, Vol. 3*, 324–38; Eric P. Newman, *The Early Paper Money of America: An Illustrated, Historical, and Descriptive Collection of Data Relating to American Paper Currency from Its Inception in 1686 to the Year 1800*, 4<sup>th</sup> ed. (Iola, WI: Krause Publications, 1997), 325–30.

<sup>39</sup> Newman, *Early Paper Money of America*, 95–97.

<sup>40</sup> Governor Burnet to the Lords of Trade, December 17, 1723, in John R. Brodhead, E. B. O’Callaghan, eds., *Documents Relative to the Colonial History of the State of New-York, Vol. 5* (Albany, NY, 1855), 700–702.

<sup>41</sup> Newman, *Early Paper Money of America*, 221–25; Thomas L. Purvis, *Proprietors, Patronage, and Paper Money: Legislative Politics in New Jersey, 1703–1776* (New Brunswick, NJ: Rutgers University Press, 1986), 147–49.

Philadelphia merchants with one foot in their local community and the other in the British Atlantic world influenced public opinion when they expressed optimism about the positive impact paper money would soon have on the provincial economy. Thomas Lawrence predicted that it would “give some Life to trade,” placing his own reputation on the line when he expounded to Samuel Storke in London that Pennsylvania currency was “settled upon a sure foundation & will questionless maintain its Credit.”<sup>42</sup> The decline in trade caused “by the Scarcity of a Currency & Low market for our own country produce in the West Indies,” he reported to Silas Hooper in the fall of 1723, “are Lately mended by a paper Currency & the Tolerable demand for provisions in [the West] Indies.”<sup>43</sup> In January, he reiterated that trade was “on the mending hand,” telling Storke that “the paper Currency seemed to give Some Life to trade.” With it, he explained, “goods Vend Speedier & payments are more punctually complied with.”<sup>44</sup> The following year, Lawrence reported to another European correspondent that “at present Our Trade...is so powerfully Carried on that all our Builders are employed & many people waiting in order to put Vessels on the Stocks.”<sup>45</sup>

Provincial merchants’ public support of paper money during that crucial first year—their confidence in the loan office system and faith in the colony’s credit—enhanced the currency’s local value and demonstrated to British firms the merchants’ own solvency. Their praise was justified. Historians have shown that the paper money acts of 1723 helped end Pennsylvania’s depression by contributing to an overall rise in

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<sup>42</sup> Lawrence to Storke, April 5 and June 13, 1723, Lawrence Letterbook.

<sup>43</sup> Lawrence to Silas Hooper, October 2, 1723, Lawrence Letterbook.

<sup>44</sup> Lawrence to Storke, January 18, 1723/24, Lawrence Letterbook.

<sup>45</sup> Lawrence to John Van der Plank, November 1, 1724, Lawrence Letterbook.

price levels and land values, which in turn restored the net margins of merchants and producers. By 1724, long-stagnant wheat prices had risen, and when new markets for flour opened up in Portugal and Spain, Philadelphia's foreign trade and shipping revived. Between 1723 and 1725, British imports tripled. The currency issues had stimulated Pennsylvania's remarkable recovery.<sup>46</sup>

Ordinary colonists also benefitted from paper money, for it provided a local currency with which to trade, pay off debts, and promote industry. Affirming that money did not have to contain the value it signified, Governor Keith touted bills of credit as “an *imaginary* Specie which fully answers the End of permanent Currency and Measure of Trade amongst Ourselves.”<sup>47</sup> Moreover, the Pennsylvania General Loan Office helped colonists who were struggling financially by enabling them to mortgage their lands and settle their debts while paying a relatively low interest rate. When the poor were better off, the whole province benefitted:

The poor middling People who had any Lands or Houses to pledge, borrowed from the Loan-Office, and paid off their usurious Creditors; and to render them more easy for the future . . . lawful Interest was at this Time reduced from eight to six per Cent, by which means the Town was soon filled with People, and Business all over the Province increased at a great rate.<sup>48</sup>

Francis Rawle echoed Keith's observations that the expansion of the money supply “has been conducive to restore Credit, relieve the Exigencies of diverse Freeholders and Inhabitants of this Province, and revive the languishing State of Trade.” At the same

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<sup>46</sup> Lester, “Currency Issues to Overcome Depression in Pennsylvania”; Nash, *Urban Crucible*, 117–27.

<sup>47</sup> Keith as quoted in Lester, “Currency Issues to Overcome Depression in Pennsylvania,” 328. Emphasis added.

<sup>48</sup> Keith as quoted in Lester, “Currency Issues to Overcome Depression in Pennsylvania,” 339.

time, he urged colonists to use paper money not for the superfluous consumption of British goods but for cultivating “Manufacture, Trade and Navigation” within the province. The currency should be worthless, Rawle warned, if colonists failed to produce something of material value through their own labor.<sup>49</sup>

High public opinion of Pennsylvania’s paper money was not unanimous. While the loan office legislation received acclaim from across the social spectrum, certain groups of colonists had different reasons to be apprehensive about it. Merchants who supported the loan office recognized that having a local currency could potentially make it harder than it already was to remit their payments to Britain. Hence, in the same breath that he praised paper money for reviving local trade, Thomas Lawrence admitted that his “returns are now more than ever like to be made for the most part by way of the West Indies.”<sup>50</sup>

It was as difficult after the depression as it was before to gather up enough specie to export directly to Britain, so colonists continued to do so indirectly, selling their grain to merchants in the West Indies and having the profits routed to accounts in London. For obvious reasons, colonial merchants could not pay their British creditors in local paper money, as when in July of 1724 Lawrence found himself “in a great Straight what to do to make a Suitable Return” to Storke, having only “about £400 Cash” on hand and “Neither Silver nor gold to purchase therewith.”<sup>51</sup> It proved equally problematic to purchase bills of exchange with paper money, for most of the time either such bills were

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<sup>49</sup> Rawle, *Ways and Means*, 55–56, 14, 20–21.

<sup>50</sup> Lawrence to Storke, January 18, 1723/24, Lawrence Letterbook.

<sup>51</sup> Lawrence to Storke, July 30, 1724, Lawrence Letterbook.

scarce or—and this was the more likely scenario—the commercial exchange rate between colonial currency and bills of exchange was unfavorable to colonists. As Lawrence informed a London company he did business with, he could not pay the firm “in bills of Exchange” because it was “impossible to purchase them for our paper Currency,” and that, he disclosed, was all that he had at the moment.<sup>52</sup>

Because it could technically only be used in the colony that issued it, paper money posed potential problems for intercolonial trade as well. Within a month of Pennsylvania passing its loan office legislation, the assembly members representing the Lower Counties of Kent, Newcastle, and Sussex established their own paper money regime under William Keith’s leadership. James Logan fumed that the Delaware assembly’s decision to emit £5,000 in bills on loan “for the use of those Counties” would force the undeveloped Lower Counties to become less reliant on Philadelphia “for their Market.” Since the colonists would not be able to use a Delaware currency in Pennsylvania (where they conducted most of their business), Logan feared that they would grow “disjointed from us and drove to other Measures,” such as establishing trade and navigation independent of Pennsylvania.<sup>53</sup>

Logan, who still considered the Lower Counties dependents of Pennsylvania, was partly right—the Delaware currency’s exchange value depreciated 25 percent after Pennsylvania traders refused to accept it. But the proprietary agent also worried that Delaware settlers would use their paper money to cultivate trade and industry independent of Pennsylvania, and this failed to occur. With few ways to use it, Delaware

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<sup>52</sup> Lawrence to Edward Foy Esqs & Company, October 20, 1724, Lawrence Letterbook.

<sup>53</sup> James Logan to Henry Goldney, May 7, 1723, Penn Family Papers.

currency was not worth much. The latter issue was resolved, when a few years later the Pennsylvania loan office and powerful Philadelphia merchants agreed to accept the Delaware bills equal in value to Pennsylvania currency.<sup>54</sup>

Logan believed that another reason for opposing paper money was that it undermined the proprietary system. In his role as Penn family agent, Logan feared that a local currency would “unhappily affect...Proprietary affairs.”<sup>55</sup> Debating the powers of colonial governors one day with his friend and the Virginia lieutenant governor Alexander Spotswood, Logan accused Governor Keith, in collaborating with the legislature on paper money, of abusing his authority in order to “invade or injure the Proprietor’s...Estates.” Spotswood suggested that proprietary deputies were answerable to the king and obliged to consult with their councils, or else they risked depriving the king of the negative voice in colonial affairs. More concerned with the proprietor’s quitrents than the royal prerogative, Logan complained that the value of “the Proprietor’s Rents” had fallen 12 percent and would likely fall further as a result of paper money legislation, a grievance that echoed Penn’s earlier qualms about the colony’s devalued coinage.<sup>56</sup> Like British creditors, the proprietors could not receive their quitrents in paper,

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<sup>54</sup> “Their [Delaware’s] Money, since it was first struck has lain under some Disadvantage; not having a ready Currency in the Province, which I am told was owing to a suspicion that the Trading Men of this Place then entertain’d of my Predecessor, believing that he would strike any sum the People asked, & would reward him for, and the rather, because he affected in that Government to be though the Kings, & not the Proprietary’s, Lieutenant; But our Merchants are now joyned in a form Design to promote its Currency equal with that of the Province.” Governor Gordon to the Proprietors, November 15, 1729, Penn Family Papers.

<sup>55</sup> James Logan to Henry Goldney, April 8, 1723, Penn Family Papers.

<sup>56</sup> Logan to Joshua Gie, October 1, 1724, Penn Family Papers.

and the hassle of transforming quitrents paid in paper currency into specie fell on Logan, who had to make up for the difference out of his own pocket.<sup>57</sup>

Yet even Logan admitted that paper money “may quicken Commerce amongst ourselves,” so that as long as the colony did not make too much of it, “it may prove rather useful than injurious.”<sup>58</sup> Several years after Pennsylvania’s loan office was established, he told John Penn, “Our Bills of Credit have indisputably been of great Service to the Trade of the place, and people in general.” Notwithstanding these considerations, the loyal Logan “[wished] we might have no addition.”<sup>59</sup>

The paper money acts of 1723 and 1724 laid the groundwork for a new political economic order in the British mid-Atlantic colonies, but the situation remained unsettled in Pennsylvania. Some colonists believed that paper money did not go far enough to help the poor, for the loan office primarily served landholders, not struggling artisans and wageworkers. While urban workers benefitted from the currency created by mortgagers who brought their loan office notes to market, direct access to loans would have done much more to reduce the dependence of Philadelphia’s working class on merchants and moneylenders for private credit.

After being recalled by the proprietors, voters elected William Keith to the provincial assembly, where the ex-governor pursued his utopian vision of a moral economy. Keith and his followers, a militant wing of the pro-paper money majority whom Logan regularly derided as “Sir William’s town mob,” battled with colonial

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<sup>57</sup> Schweitzer, *Custom and Contract*, 125.

<sup>58</sup> Logan to Henry Goldney, April 8 and May 7, 1723, Penn Family Papers.

<sup>59</sup> Logan to John Penn, October 8 and October 18, 1728, Logan Family Papers, 1664–1871, HSP.

moderates in the assembly both on the ground and in printed discourse through the 1720s, rhetorically lumping moderates together with proprietary and crown elements in their calls for more paper money. From his new position in the assembly, Keith championed legislation that promised to lower the interest rate, reduce legal fees, and restrict punishment for debtors, the latter a traditional position of Quakers. He formed two political clubs, the Gentleman's Club and the Leather Apron Club, and obtained the support of the growing German settler population.<sup>60</sup>

Logan and his allies in the proprietary party, Isaac Norris and Andrew Hamilton, challenged the "Keithians" on the Penn family's behalf. They evinced a belief, not unpopular in early modern England, that blamed poor people for their own poverty and placed responsibility for a country's prosperity on the wealthy few.<sup>61</sup> Hamilton accused Keith of waging a class war, suggesting that "if that Spirit raised among the people for paper money by Sir William did not constantly perplex us, his Doctrine of reducing all to a levell, suits mighty well with the inclinations of the poorer Sort, who in all Countries by far are the most numerous."<sup>62</sup> The Keithians were not "Levellers," but by invoking the image of a "levelled" society, Hamilton sought to stoke fears of social chaos.<sup>63</sup> Logan, Norris, and Hamilton promulgated an alternative vision of a moral economy to Keith's

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<sup>60</sup> John Smolenski, *Friends and Strangers: The Making of a Creole Culture in Colonial Pennsylvania*, (Philadelphia: University of Pennsylvania Press, 2010), 255-256.

<sup>61</sup> Nash, *Urban Crucible*, 149-50.

<sup>62</sup> Andrew Hamilton to David Barclay, October 27, 1728, Penn Family Papers.

<sup>63</sup> Thomas N. Ingersoll, "'Riches and Honour Were Rejected by Them as Loathsome Vomit,': The Fear of Levelling in New England," in Carla Gardina Pestana and Sharon V. Salinger, eds., *Inequality in Early America* (Hanover, NH: University Press of New England, 1999), 46-66.

utopian one, based a rigid class hierarchy and held together by the elite's stewardship over the community and its currency supply.

Not wanting to make enemies with either extreme, the newly appointed governor and Keith's replacement, Patrick Gordon, arrived in Pennsylvania with an open mind. Despite carrying instructions from the proprietors and Board of Trade to disallow any future paper money acts that lacked a suspending clause, Gordon knew that his salary would go unpaid if he angered the provincial assembly. Accordingly, he "appear[ed] in favor of Paper Money," approving the re-emitting act of 1726, which even Logan admitted was "really of Service to the Country."<sup>64</sup>

In fact, the act was a loophole around the governor's instructions, authorizing the printing of new money to be exchanged for tattered bills without actually increasing the money supply. At the same time, it permitted principal payments to be re-loaned rather than burnt, simply setting new due dates for new mortgages. Ultimately, it put money into more people's hands.<sup>65</sup> The re-emitting act thus compromised between vetoing all paper money acts, as proprietary and crown agents urged, and approving large quantities of new paper money, for which Keith's followers continued to rally even after its passage. Indeed, while Governor Gordon's "honest Plainness" appeared "acceptable to the People in the Country at least," Logan wrote to the proprietors, "nothing will as yet prevail on Sir William's town mob."<sup>66</sup> In 1727, Keith's followers in the assembly

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<sup>64</sup> James Logan to John Penn, December 12, 1726, Penn Family Papers.

<sup>65</sup> Schweitzer, *Custom and Contract*, 128-30; Lester, "Currency Issues to Overcome Depression in Pennsylvania."

<sup>66</sup> Logan to Penn, December 12, 1726.

abdicated their seats in protest, hoping to frustrate the new governor's conciliatory gestures and confuse government affairs altogether.<sup>67</sup>

Then, in early 1728, trade began to slow, prices dropped, and consumer goods again glutted the market. That spring the second economic depression in less than a decade prompted colonists to petition the Pennsylvania provincial assembly for additional paper money. "The Humor of the people is such," Hamilton suspected, "that scarce one of the men who oppose it will be on the Assembly next year, & is so nobody knows what they will attempt."<sup>68</sup> When the sitting assembly blocked their proposal for a new emission of currency on loan, the Keithians sent their urban constituents to intimidate the legislature, prompting Gordon to reluctantly enforce Parliament's recent act against riots. The governor finally agreed to a bill authorizing £30,000 in new paper money in the spring of 1729. "No Man in the Province," he promised to the new assembly upon the legislation's passage, "is more truly & sincerely a friend to this Currency than I am."<sup>69</sup>

Meanwhile, paper money found a new spokesperson in a young printer named Benjamin Franklin. In 1729, the twenty-three-year-old printer published *A Modest Inquiry into the Nature and Necessity of a Paper Currency* in support of the latest paper money bill. Chronic money scarcity, Franklin warned, would inevitably raise interest rates, lower land values, and slow trade and emigration. A sufficient circulating medium of exchange, in contrast, would lower interest rates, increase land values, enliven trade, and encourage European workers to settle in the middle colonies. In his endorsement of

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<sup>67</sup> Hamilton to Barclay, October 27, 1728, Penn Family Papers.

<sup>68</sup> Hamilton to Barclay, October 27, 1728.

<sup>69</sup> Governor Gordon to the House of Representatives, May 10, 1729, Penn Family Papers.

the Pennsylvania General Loan Office, Franklin explained that the province's loan office bills were better than the tax-anticipation treasury notes issued by other provinces, the former being backed by the security of the land. "As Bills issued upon Money Security are Money," Franklin concluded, "so Bills issued upon Land, are in Effect *Coined Land*."

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Franklin recognized that in Britain's North American colonies, the transformation of land into money went hand in hand with a labor theory of the value of money. In *A Treaty of Taxes* (1662), the English tax assessor and Royal Society member William Petty had articulated an early iteration of a labor theory of value, with which Franklin would have been familiar. "All things ought to be valued by two natural Denominations, which is land and Labor," Petty argued; "We should be glad to find out a natural Par between Land and Labor, so as we might express the value by either of them alone as well or better than by both, and reduce one into the other as easily and certainly as we reduce pence into pounds." The value of land, Petty went on to suggest, depended on "the greater or lesser share of the product given for it in proportion to the simple labor bestowed to raise the said Produce."<sup>71</sup>

Over half a century later, Franklin borrowed Petty's ideas for his essay on paper money. For the Philadelphia printer, money was coined land *and* "coined labor."<sup>72</sup> As

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<sup>70</sup> Benjamin Franklin, *A Modest Enquiry into the Nature and Necessity of a Paper-Currency* (Philadelphia, 1729), 24.

<sup>71</sup> William Petty, *A Treatise of Taxes and Contributions* (London, 1662), 26, 70.

<sup>72</sup> David Waldstreicher, "Capitalism, Slavery, and Benjamin Franklin's American Revolution," in Cathy Matson, ed., *The Economy of Early America: Historical Perspectives and New Directions* (University Park: Penn State University Press, 2011), 197-8.

Franklin explained, “Silver itself is of no certain permanent Value...therefore it seems requisite to fix upon Something else, more proper to be made a Measure of Values, and this I take to be Labor.” Labor gave value to silver, “as well as other Things...Thus the Riches of a Country are to be valued by the Quantity of Labor its inhabitants are able to purchase, and not by the Quantity of Silver and Gold they possess.” Yeomen farmers in Britain and North America had long understood the value of their land and the labor they put into it as linked, but both Petty and Franklin suggested that money *itself* represented human labor.

Like those of 1723, the paper money act of 1729 significantly improved business conditions in Pennsylvania. British imports increased more than 50 percent from 1729 to 1730, even though the price of wheat fell by half in the period from 1730 to 1731, due on one hand to tempered demand for grain in Europe and on the other to an expansion of British credit and increasing demand for consumer goods. On the local level, the Pennsylvania loan office decreased the high transaction costs associated with barter and trading on private credit. The provincial legislature heard few complaints of dull trade and money scarcity after 1729, and there were no further emissions of paper money during the 1730s.<sup>73</sup> In the medium term, Pennsylvania surpassed both Massachusetts and New York in terms of economic prosperity, as shipping tonnage to and from the port of Philadelphia doubled and the population of German and Scots-Irish settlers boomed.<sup>74</sup> Wages and prices remained steady, owing to the stability of Pennsylvania’s paper

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<sup>73</sup> Lester, “Currency Issues to Overcome Depression in Pennsylvania”; Schweitzer, *Custom and Contract*, 117, 138–39.

<sup>74</sup> Nash, *Urban Crucible*, 117–20.

currency; with no more than £85,000 in paper money circulating at a time, currency depreciation and price level fluctuations were not concerns during the first half of the eighteenth century.<sup>75</sup> Perhaps the colony really was, as the historian James Lemon has suggested, “the best poor man’s country.”<sup>76</sup>

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Less attention has been given to the provisions that British mid-Atlantic paper money regimes implemented to secure and mediate the value of their local currencies. First of all, paper money’s value was inscribed in colonial law. Loan office notes were made legal tender in the payment of both taxes and private debts, and they were easily transferable from person to person in the colony that issued them. Provincial assemblies selected signers to endorse each bill by hand, set dates for retiring currency from circulation, and specified the terms of loans. Pennsylvania issued its loans on the security of land, houses, or silver plate at 5 percent interest, with the principal payable in eight annual installments; colonists could not borrow more than £100 or less than £12 from the loan office, a measure that gave yeomen farmers (if not the urban working class) relatively easy access to mortgages.<sup>77</sup> Delaware applied nearly identical terms to its mortgages, while New Jersey’s so-called “First Bank” offered twelve-year loans. Occasionally, colonies printed new bills for the purpose of replacing worn, torn, or defaced notes, as Pennsylvania did in 1726, New Jersey did in 1728, and both

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<sup>75</sup> Lester, “Currency Issues to Overcome Depression in Pennsylvania.”

<sup>76</sup> James T. Lemon, *The Best Poor Man’s Country: A Geographical Study of Early Southeastern Pennsylvania* (Baltimore, MD: Johns Hopkins Press, 1972).

<sup>77</sup> Schweitzer, *Custom and Contract*, 126–27; Newman, *Early Paper Money of America*, 325–30.

Pennsylvania and Delaware did in 1739.<sup>78</sup> Finally, the colonies enforced laws to deter counterfeiting, which could involve a public flogging or ear cropping followed by jail time.<sup>79</sup>

Legislative authority over local money and value transformed Pennsylvania's political economy and that of the region. In colonies that had paper money, political power was often distributed more evenly throughout the countryside, enabling smallholders to pressure their representatives to enact popular currency laws. Furthermore, paper money regimes made governors accountable to the legislature first and the crown or proprietor second. Provincial assemblies often refused to earmark governors' salaries—paid in the local currency—unless they promised to approve paper money legislation. Even with these measures, colonial assemblies' tactic of putting money into circulation before the British government had time to review currency legislation made crown instructions relatively easy to ignore. Paper money regimes thus imagined an imperial contract that gave legislatures not only the sovereign's right to create money but also the prerogative to imbue, secure, and mediate paper money's value, value that emanated from—and was pegged to—the provincial political community itself.

Paper money bound constituents to the provincial political community in another, more tangible way: by providing the legislature with a steady stream of income in the form of interest on loans. This significant change to the fiscal structure enabled the

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<sup>78</sup> Newman, *Early Paper Money of America*, 95–97, 221–25.

<sup>79</sup> On counterfeiting in the English colonies, see Kenneth Scott, *Counterfeiting in Colonial America* (New York: Oxford University Press, 1957).

provincial assembly to go forty years without taxing colonists directly, while still providing the colonial government with the means to create public goods. Instead of paying taxes directly to the province, individual borrowers paid an implicit tax in the form of interest on their loans. County governments that borrowed from the loan office used paper money for projects such as courthouses and workhouses, and then taxed the members of their local community to pay back their loans. Nearly all colonists would have benefitted from not having to pay provincial taxes.<sup>80</sup> The reality that many British colonies used currency, and not taxes, to finance public spending after 1715, while direct taxation remained under the purview of towns and counties, puts colonial resistance to the Stamp Act of 1765—an imperial tax in all but name—in a new perspective.

Aside from legal and fiscal factors, the materiality of paper money played an important role in mediating the gap between its “imaginary” and “real” value. As the previous chapter argued, how money looked and felt, whether it was handwritten or printed from engraved or typeset plates, and the different signatures, mottos, and insignia adorning it all helped to mediate its value. Throughout the British mid-Atlantic colonies, paper bills were also tiny artworks. In the 1730s, Pennsylvania, Delaware, New Jersey, and Maryland paper money began featuring leaf prints that resembled the amateur naturalist Joseph Breintnall’s creations. Breintnall’s nature prints inspired his friend Benjamin Franklin to put prints of leaves on the paper money he created for the Pennsylvania and New Jersey loan offices. Intricately designed bills, such as those Franklin made, were more immune to counterfeiting, and thus more likely to maintain

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<sup>80</sup> Schweitzer, *Custom and Contract*, 195.

their value. Leaf prints, insignias, seals, mottos, signatures, and other visual and material characteristics of paper currency helped obscure the difference between signifying and constituting value in early America.<sup>81</sup>

Most importantly, high public opinion of paper money in the mid-Atlantic colonies enhanced its exchange value. This meant that the government that issued paper money had to appear legitimate to its constituents. In the previous chapter, I discussed the connections between “public faith” and monetary value. Another way to think about the concept of public faith, is in terms of what institutional economists refer to as “credible commitment.”<sup>82</sup> When colonial governments demonstrated credible commitment to a political economic order, paper money bound colonists to that government and to each other. Trust that governors would not disallow paper money acts and belief in the assembly’s ability to properly administer loans and collect interest payments reinforced the bonds of the provincial political community.<sup>83</sup> Public confidence in the government, in turn, directly affected public opinion of paper money.

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<sup>81</sup> Eric P. Newman, “Newly Discovered Franklin Invention: Nature Printing on Colonial and Continental Currency,” *The Numismatic* 77, no. 2 (1964): 147–54; Jennifer J. Baker, *Securing the Commonwealth: Debt, Speculation, and Writing in the Making of Early America* (Baltimore, MD: Johns Hopkins University Press, 2005), 3-10. On paper money as a mediating instrument bridging real and representational value, see also Mary Poovey, *Genres of the Credit Economy: Mediating Value in Eighteenth- and Nineteenth-Century Britain* (Chicago: University of Chicago Press, 2008).

<sup>82</sup> Natalie Roxburgh, *Representing Public Credit: Credible Commitment, Fiction, and the Rise of the Financial Subject* (London: Routledge, 2016), 126-127.

<sup>83</sup> In institutional economics, a typical example of “credible commitment” is a state’s promise to uphold private rights through its ability to fund public debt. According to Douglas North and Barry Weingast, a ruler can establish credible commitment “by being constrained to obey a set of rules that do not permit leeway for violating commitments.” They argue that England’s Glorious Revolution of 1688 brought about changes in institutions and governance (e.g., the Bank of England, Parliamentary supremacy) that

In his speech to the assembly following the 1729 paper money act's passage, Governor Gordon demonstrated the links between public opinion, public good, and monetary value. He expressed the hope that paper money would always circulate at face value, "for in Proportion as it declines from this, 'tis manifest that it becomes a Public loss." He instructed the provincial representatives "to possess the Minds of the People with great Notions of Government, to animate them to Peace Industry & all those Virtues that make truly for their own greatest & best Interest."<sup>84</sup> Their efforts were apparently effective, for in the fall of 1729, Gordon reported that the province "seems to be very well satisfied and in perfect peace and quiet which is Chiefly owing to that late addition to our Currency."<sup>85</sup> Attributing peace, happiness, and harmony to paper money, Gordon

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made long-term commitment to limited government possible. Dudley C. North and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *The Journal of Economic History* 49, no. 4 (1989): 803–32. More recent scholars have criticized North and Weingast's thesis for divorcing "markets" from government in early modern England, when in fact the Glorious Revolution settlement made the state more interventionist in economic matters over time, increasing taxation, using debt finance, and issuing currency. In this context, "credible commitment" refers to a state's commitment to the public credit through regulating and maintaining the financial market. See Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford: Oxford University Press, 2014), 288–94. In the context of the British colonies, the issue of credible commitment was more complicated. To maintain the value of their currencies, colonial paper money regimes could *claim* credible commitment through reputation and encouraging public confidence. However, they only *demonstrated* credible commitment through collecting taxes and mortgage payments as scheduled. Because the membership of colonial legislatures changed frequently, paper money regimes that relied on tax-backed treasury notes to finance public expenditures—particularly those engaged in constant warfare with their native and European enemies—had difficulty following through on commitments to maintain the public credit in the future.

<sup>84</sup> Gordon to the House of Representatives, May 10, 1729, Penn Family Papers.

<sup>85</sup> Gordon to John Penn, October 30, 1729, Penn Family Papers.

assured the proprietors that the colony was “in a perfect state of quiet, the happy effects of that last emission.”<sup>86</sup>

Fundamental disagreements between colonial paper money regimes and the British Parliament over the nature of money and origins of value would occupy a central role in the imperial crisis of the 1760s. At its heart lay the Currency Act of 1764, the culmination of a long Parliamentary inquiry into the state of the colonial currencies that banned legal tender paper money in North America.<sup>87</sup> When news of the inquiry reached Pennsylvania in the 1740s, colonists declared any Parliamentary bill intending “to put an End to the Use of Paper-Money” to be a violation of their “Constitution,” “Liberty,” and “private Property.”<sup>88</sup> They sent Benjamin Franklin to London oppose the Currency Act, but rather than defend the provincial assembly’s right to create money and value, Franklin proposed an American imperial currency backed by Parliament, with “A great annual Sum” sent from the colonial legislatures “to the Crown for Interest.”<sup>89</sup> His scheme ultimately failed, but not before word of it reached Pennsylvania colonists. When it did, the proposal was not warmly received.

A local conception of money and value shaped Pennsylvania settlers’ resistance to the Currency Act after its passage. In 1769, 200 Lancaster County inhabitants, citing “the Want of a sufficient Medium of Circulating cash,” petitioned the provincial assembly for

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<sup>86</sup> Gordon to the Proprietors, November 15, 1729, Penn Family Papers.

<sup>87</sup> On the Currency Act of 1764, see Joseph Ernst, *Money and Politics in America, 1755–1775: A Study in the Currency Act of 1764 and the Political Economy of Revolution* (Chapel Hill: University of North Carolina Press, 1973).

<sup>88</sup> *The Case of the inhabitants in Pensilvania* [Philadelphia?], [1744?].

<sup>89</sup> Benjamin Franklin, “Scheme for Supplying the Colonies with a Paper Currency,” [February 11–12? 1765] in Barbara Oberg, ed., *The Papers of Benjamin Franklin* (The Packard Humanities Institute), 12:47, <http://franklinpapers.org>.

a new emission of paper money on loan. Pennsylvania currency, they reminded their representatives, “was not subject to be transmitted to the Mother Country...but from its Permanency among us, the Merchant, Farmer and Mechanic, were always able to obtain a proper Currency, by which they could conveniently fulfil their Engagements.” While they knew that paper money was no longer legal tender under the terms of the Currency Act, they promised to accept new Loan Office notes “with...Cheerfulness...*as if they were made and declared by Law to be legal Tender.*”<sup>90</sup>

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<sup>90</sup> Petition from the County of Lancaster for an Emission of Paper Money for a public loan, Philadelphia, January 5, 1769, Society Miscellaneous Collections, HSP (emphasis added).

## CHAPTER FIVE

### FACE VALUE

For People to Run into Debt, without a Prospect of certainly & speedily getting out of it, is no small Iniquity. But when People shall do so, to gratify their Luxury or Ambition, 'tis an Aggravation of the Iniquity. The Richer Sort of People, will do well to set a Convenient Example unto the Poorer Sort. We must contrive to make all Goodness a Fashionable Thing...At the same time, It is to be demanded of the Poor, That they do not indulge an Affectation of making themselves in all things appear equal with the Rich; But Patiently Submit unto the Difference, which God the Maker of your Both, has put between you.

Cotton Mather (1719)

In *The Protestant Ethic and the Spirit of Capitalism* (1905), Max Weber famously argued that Benjamin Franklin's economic views embodied the "spirit of modern capitalism." In supporting this claim, he interpreted Franklin's "business virtues" as evidence of self-interested utilitarianism, for such virtues, the German sociologist suggested, were useful "only to the extent that they [were] useful to the individual."<sup>1</sup> On the contrary, values such as industry, honesty, frugality, and piety were less about an individual's pursuit of profit than they were about mediating his or her *credit* within the community. And in the impersonal Atlantic marketplace of the eighteenth century, that same credit functioned as a "currency of reputation."<sup>2</sup>

The transformation of material culture in the eighteenth century did not herald the arrival of "modern capitalism" in North America, but it did drive colonists to change how

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<sup>1</sup>Max Weber and Stephen Kalberg, *The Protestant Ethic and the Spirit of Capitalism* (New York: Oxford University Press, 2002), 16-17.

<sup>2</sup>Donald E. Frey, *America's Economic Moralists: A History of Rival Ethics and Economics* (State University of New York Press, 2009), 4-8; Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (Palgrave Macmillan, 1998), 2-8.

they valued their possessions, themselves, and others. In the seventeenth century, English colonists had cherished objects that signified tradition, longevity, lineage, and respect, while social status derived from inheritance, university education, and landed wealth. In the wake of the emergence of the paper money economy and the colonial “consumer revolution,” consumer goods replaced family heirlooms in importance, while fashion, polite behavior, and creditworthiness superseded traditional markers of prestige.<sup>3</sup> In early America, abstractions of money and abstractions of the self into symbolic forms of value were two related processes.<sup>4</sup>

While the colonial consumer revolution has been well documented by scholars, less attention has been paid to its connection to paper money.<sup>5</sup> This chapter illustrates how the growth of Atlantic trade in the decades following Queen Anne’s War (1702-13) helped create a new culture of value related to paper money that changed how colonists conveyed social and economic meaning and identity. The new culture of value caused conflict within early American society and exposed contradictions between the colonial and imperial political economy. On one hand, the acceleration of transatlantic commerce implicated paper money in a spreading consumer ethos, heightening worries among traditional elites over easy access to Atlantic markets and the erosion of social dependencies that attended such access. Meanwhile, economic commentators concerned

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<sup>3</sup> Phyllis Whitman Hunter, *Purchasing Identity in the Atlantic World: Massachusetts Merchants, 1670-1780* (Cornell University Press: Ithaca, 2001), 91.

<sup>4</sup> Larzer Ziff situates these processes much later in time, during the early republic period. See Ziff, *Writing in the New Nation: Prose, Print, and Politics in the Early United States* (New Haven: Yale University Press, 1991).

<sup>5</sup> For the “consumer revolution” thesis, see T. H. Breen, *The Marketplace of Revolution: How Consumer Politics Shaped American Independence* (New York: Oxford University Press, 2004).

about exchange rates, inflation, and a growing trade deficit blamed paper money for the colonies' inability to balance their trade with Britain. Seeking solutions to social instability *and* trade imbalance, members of both groups appropriated an older discourse of industry and frugality, concluding that the colonies would be worthless unless they produced something of real value to Britain's growing commercial empire.

The peacetime expansion of paper money had established a new geography of value that pegged money's local worth to the provincial political community that created it. How did colonists use bills of credit within the growing Atlantic marketplace of goods, credit, and people? As previous chapters described, paper money stimulated colonial participation in Atlantic commerce when consumers used it to purchase foreign goods from merchants, who in turn used the money to settle their accounts with local importers or to purchase bills of exchange payable in Britain.

Increasingly, colonists also used paper money to facilitate transactions across province lines. A Boston slave trader and Atlantic merchant who sold such commodities as "Rum and Sugar," "Ozenbrigs," "Chocolate," and "Barcelonia Handkerchiefs," for example, sometimes received the paper money of other provinces, as when he earned 10 pounds, 5 shillings, and one penny in Pennsylvania "Currency" for his part of the proceeds "of the Sloop Friendships Freight made from Boston to Philadelphia." In 1737, that merchant exchanged 23 pounds, 6 shillings, and 8 pence in Massachusetts bills of credit "for Seventy Pounds In North Carolina Bills." And in 1740, he paid 63 pounds, 7 shillings, and 6 pence in "[New] York Currency" for a foreign bill of exchange worth 21

pounds, 2 shillings, and 6 pence in sterling.<sup>6</sup> In the absence of gold and silver coins, provincial traders' acceptance of different currencies led to the formation of intercolonial markets linked to the Atlantic trade. The emergence of these markets enhanced paper money's cash value beyond the community that created it, while increasing colonists' access to imported consumer goods.

This expansion of Atlantic commerce played a fundamental role in generating a stunning material transformation of ordinary settlers' lives and of the colonial landscape itself. Advertisements for fine furniture and clothing, musical instruments, and African slaves covered the pages of colonial newspapers, while the arrival of spices, foods, and spirits from distant shores changed colonists' cooking, eating, and drinking habits. In Boston, a person could purchase "A Choice Parcel of Fresh Coffee" marketed as "the best for Color and Taste." The Philadelphia printer Andrew Bradford advertised and sold "Super Fine Bohee Tea" by the pound from his shop on Second Street, but colonists desiring something sweeter could head to the intersection of Front and Market Streets, where Charles Read sold "good Chocolate Cheap." British merchants carried "good Madera wine" from the Atlantic Islands and "Very good Barbados Rum" from the West Indies to colonial seaports. Alcohol comprised a significant volume of colonial imports, it being both consumed at home and resold abroad. Local distillers could make a decent

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<sup>6</sup> Account Book kept by a Boston Merchant, 1736-1741, Massachusetts Historical Society (hereafter MHS).

living transforming imported wine into “fine Brandy” and retailing it to colonial consumers.<sup>7</sup>

Furniture and clothing from London altered how colonists decorated their homes and bodies, with new pieces arriving regularly. Imported furniture was commonly listed for sale in colonial newspapers, like the “fine new Fashioned bed” advertised in June of 1715 in the *Boston News-Letter*. Another shipment from London to Boston contained “A Parcel of very fine Clocks,” while the glass shop on Queen Street sold “well gilt and painted” lamps and lanterns. More than furniture, clothing and accessories changed how ordinary colonists represented themselves within society. Men might purchase stylish “Coats, Breeches, Shoes, and Buckles,” while parents could adorn their children in “white Gloves.” Alex Miller’s wig shop on Second Street in Philadelphia supplied “all sorts of Periwigs after the best Fashion now used in England,” while Mrs. Edwards of New York sold a “Beautifying Wash” that promised to smooth the skin and heal various “Deformities of the Face.” Alternatively, colonists could make their own clothes from imported textiles. In February of 1720, the *Boston Gazette* advertised “Flowered Venetian Silks of the newest Fashion, in Pieces that contain enough for a Suit for a Woman.”<sup>8</sup>

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<sup>7</sup>*Boston News-Letter*, March, 1714; *Boston News-Letter*, May 24, 1714; *Boston News-Letter*, October 15, 1716; *American Weekly Mercury*, March 1, 1720; *American Weekly Mercury*, April 28, 1720; *Boston News-Letter*, June 6, 1715; *Boston News-Letter*, August 5, 1717; *American Weekly Mercury*, May 18, 1721; *American Weekly Mercury*, May 9, 1723.

<sup>8</sup>*Boston News-Letter*, May 24, 1714; June 6, 1715; *Boston News-Letter*, April 9, 1716; *Boston News-Letter*, August 17, 1719; March 29, 1714; *New-England Weekly Journal*, July 28, 1735; *American Weekly Mercury*, October 25, 1739; *New-York Weekly Journal*, March 29, 1736; *Boston Gazette*, February 29, 1720.

Newspapers such as the *Boston News-Letter* and the *Pennsylvania Gazette* advertised servants and slaves alongside sundry goods and genteel clothing, for in the British colonies, humans, things, and money became mutually exchangeable commodities. Prominent merchants and colonial officials such as John Colman and Jonathan Belcher of Boston peddled human capital in waterfront warehouses, in the *London Coffee House*, and at the Post Office.<sup>9</sup> Benjamin Franklin's publication, the *Pennsylvania Gazette*, was an imported hub for information about slave sales, while the printer's stationery provided the physical space to sell slaves and do business with other slave-owners.<sup>10</sup> Advertisements for slaves used selling points such as "Very likely," "speaks good English," and, increasingly, "has had the Small-pox." In May of 1733, Franklin's newspaper described "a very likely Negro Woman aged about Thirty Years who has lived in this City from her Childhood, and can wash and iron very well, cook Victuals, sew, spin on the Linen Wheel, milk Cows, and do all Sorts of House-work very well." The woman's six-year-old son was to be sold with or without his mother.<sup>11</sup>

In contrast to the experiences of indentured Europeans and enslaved Africans, many white women were freed by the consumer revolution from the toil of subsistence farming and introduced more agency into their daily lives. Colonial women had long exchanged work, skills, and produce within their communities in addition to performing home-front duties in wartime. The onslaught of foreign imports after Queen Anne's War

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<sup>9</sup> Edgar J. McManus, *Black Bondage in the North* (Syracuse, NY: Syracuse University Press, 1973), 18-19.

<sup>10</sup> David Waldstreicher, *Runaway America: Benjamin Franklin, Slavery, and the American Revolution* (New York: Hill and Wang, 2005) 24, 91.

<sup>11</sup> *The Pennsylvania Gazette*, May 10, 1733.

increased women's consumer choices, along with their economic and social power, in wider colonial society. In addition to buying goods, colonial women were purveyors of them. Rebeckah Amory hawked "Hollands, Cambricks, & Edgings" from her house, while Faith Waldo sold "Brocaded Silks, flowered Damasks, [and] Satins...by Wholesale and Retail." Many of the colonial legislatures adopted *feme-sole* statutes permitting abandoned wives, war widows, and poor women to run their own businesses. Some of the women opened inns and shops, while others offered their services as nurses or tutors. The widow Mary Sewall created drawings for embroidery patterns and contracted for "any sort of Needle Work."<sup>12</sup>

These changes in material culture penetrated deep into the social order. Runaway advertisements from the period recounted slaves and servants absconding with fashionable clothing, consumer goods, and paper money, while archaeological findings have showed that poor white colonists and black slaves alike owned commodities ranging from imported dishes to decorative buttons. If the items lacked much economic worth, then their possessors imbued them with social and psychological meaning beyond their cash value.<sup>13</sup>

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<sup>12</sup> Mary Beth Norton, "The Evolution of White Women's Experience in Early America," *The American Historical Review* 89 (1984): 593–619; T. H. Breen, "An Empire of Goods: The Anglicization of Colonial America, 1690-1776," *The Journal of British Studies* 25, no. 4 (1986): 476-477; *New-England Weekly Journal*, April 24, 1732; *Boston News-Letter*, May 11, 1732; *Boston Gazette*, October 3, 1737.

<sup>13</sup> See, for example, *Boston News-Letter*, June 26, 1704; *Boston News-Letter*, August 13, 1711; *Boston News-Letter*, April 16, 1711; John Bedell, "Archaeology and Probate Inventories in the Study of Eighteenth-Century Life," *The Journal of Interdisciplinary History* 31, no. 2 (2000): 223-245.

The paper money economy and the consumer revolution lubricated existing trade ties and exposed colonists to new kinds of market relations after Queen Anne's War, undermining traditional dependencies grounded in hierarchy and kinship while reinforcing new bonds based on public faith and public opinion. The erosion of social differences that accompanied the century's economic transformations, however, fueled fears of status forgery, "levelling," and destructive self-interest. Responses to economic change conflicted, as different visions of society, self, money, and value competed for dominance in early America.<sup>14</sup>

Those who sought to uphold the traditional order expressed fears that easy access to money and things would encourage plebeians to misrepresent themselves as patricians. "Grandeur so naturally springs up among us," one dialogist wrote in 1721, "that every one is ready to fancy themselves the progeny of the rich and honorable." Commoners, he elaborated, "must be dressed up like Nobles" and "Lords of the Manors."<sup>15</sup> In a 1714 pamphlet objecting to John Colman's land bank proposal, the Boston politician Paul Dudley pointed to "the Great Extravagance" of "the Ordinary sort...far beyond their Circumstances."<sup>16</sup> Such pretenses of status, the Puritan minister Cotton Mather suggested, undercut divinely ordained hierarchies. We must demand "of the Poor," he

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<sup>14</sup> T. H. Breen and Timothy Hall, "Structuring Provincial Imagination: The Rhetoric and Experience of Social Change in Eighteenth-Century New England," *The American Historical Review* 103, no. 5 (1998): 1411–39; Breen, "An Empire of Goods"; Elizabeth E. Dunn, "'Grasping at the Shadow': The Massachusetts Currency Debate, 1690-1751," *The New England Quarterly* 71, no. 1 (1998): 54–76.

<sup>15</sup> Philopatria [Thomas Paine], *A Discourse, shewing, that the first cause of the straits and difficulties of this province of Massachusetts Bay, is it's extravagancy, & not paper money* (Boston, 1721), 5.

<sup>16</sup> Paul Dudley, *Objections to the bank of credit lately projected at Boston* (Boston, 1714), 24.

preached before the Massachusetts government in 1719, “that they do not indulge an Affectation of making themselves in all things appear equal with the Rich; But Patiently Submit unto the Difference, which God the Maker of you Both, has put between you.”<sup>17</sup>

The muddling of class distinctions caused by the paper money economy and the consumer revolution forced wealthy colonists to spend more money just to distinguish themselves from their poorer counterparts.<sup>18</sup> Hoping to slow the pace of social change, colonial elites invoked chaotic images of a “levelled” society. Should a “Levelling Spirit” spread, Mather declared, “no Man shall be in any thing superior to his Neighbors, but his very Superiority shall make him Obnoxious to Envious Indignities, Obnoxious to all possible Deplumations and Defamations.”<sup>19</sup> The real Levellers were members of an egalitarian political movement begun in England during the political and religious upheavals of the 1640s. In England and the colonies after the Civil War (1642-51), the term “leveller” was flung at ambitious traders, retailers, poor servants, peddlers, jobbers, land bankers, and debtors—in short, anyone who threatened the traditional social hierarchy.<sup>20</sup>

While class anxiety provides a compelling explanation of why some colonial elites resisted economic change, accusations of status forgery and fears of levelling were connected to a deeper moral concern over the nature of the relationship between the self

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<sup>17</sup> Cotton Mather, *Concio Ad Populum. A distressed people entertained with proposals for the relief of their distresses. In a sermon at Boston* (Boston, 1719), 13-14.

<sup>18</sup> Breen, “Empire of Goods.”

<sup>19</sup> Mather, *Concio Ad Populum*, 18.

<sup>20</sup> Thomas N. Ingersoll, “‘Riches and Honour Were Rejected by Them as Loathsome Vomit’: The Fear of Levelling in New England,” in Carla Gardina Pestana and Sharon V. Salinger, *Inequality in Early America* (Hanover, NH: University Press of New England, 1999), 46–66.

and society. The traditional order encouraged individuals to harmonize their economic activities and interests with the interests of others. Paper money and consumer culture, on the other hand, were seen by some people as fueling the kind of destructive competition and unbridled self-interest that weakened society's reciprocal bonds of obligation. In the face of economic and social change, those colonists emphasized the importance of subordinating individual to communal interests. As one historian has pointed out, such concerns were connected to the persistence of a "moralizing tendency in the conceptualization of economic activity" in early America.<sup>21</sup>

Rather than fixate solely on the erosion of social divisions, some colonial essayists highlighted the moral implications of paper money and consumer culture. The trope of the acquisitive wife who drove her husband into debt became a metaphor for the pitfalls of excessive luxury. "Ordinary Tradesman's Wives," a Boston pamphleteer lamented, "shall be dressed in Silks and Satins...not only on high holy-days, but in their ordinary Visitings."<sup>22</sup> In 1734, the fictional protagonist of *Poor Richard's Almanac* thanked his readers for their support. Profits from almanac sales had enabled Richard's wife to purchase a brand-new pot, "a pair of shoes, two new shifts, and a new warm petticoat," while he treated himself only to "a second-hand coat." But the coat was "so good," Richard proudly proclaimed, that he was "now not ashamed to go to town or be

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<sup>21</sup> John E. Crowley, *This Sheba, Self: The Conceptualization of Economic Life in Eighteenth-Century America* (Baltimore, MD: Johns Hopkins University Press, 1974), 12.

<sup>22</sup> [Paine], *A Discourse, shewing*, 5.

seen there.”<sup>23</sup> While one historian has argued that Franklin’s satiric juxtaposition of poor, virtuous Richard to the wife who spent profligately symbolized how luxury could obfuscate class differences, it also conveyed the idea that excessive lavishness could erode reciprocity and obligation in society, by serving some individuals’ appetite for extravagance at the cost of others’ well-being.<sup>24</sup>

Likewise, the example of the laborer who imbibed too much provided an apt allegory for the ill consequences of superfluous consumption. “Company keeping, Tavern Haunting, & Excessive Drinking,” Samuel Woodbridge asserted in his 1724 election sermon, cost men “their *Credit*, their Health, their Precious Time, and Estates.”<sup>25</sup> And sometimes even their lives, as when in the summer of 1735, a Philadelphia worker named Roger Morgan fell down drunk onto the brick pavement and died of his injuries sometime after.<sup>26</sup> Excessive drinking threatened to cripple the mind, body, and spirit, undermining relationships and responsibilities.<sup>27</sup> “When Men drink so much,” an anonymous essayist wrote, “they waste the cost which should provide necessaries for their family.”<sup>28</sup> Ironically, at the same time that colonial newspapers ran opinions on excessive drinking

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<sup>23</sup> Walter Isaacson, *A Benjamin Franklin Reader* (New York: Simon and Schuster, 2005), 93-95.

<sup>24</sup> David Waldstreicher, “Capitalism, Slavery, and Benjamin Franklin’s American Revolution,” in Cathy Matson, ed., *The Economy of Early America: Historical Perspectives and New Directions* (University Park: Penn State Press, 2011), 183–217.

<sup>25</sup> Samuel Woodbridge, *Obedience to the Divine Law, Urged on All Orders of Men, and the Advantage of It Shew’d* (New-London, CT, 1724), 24. Emphasis mine.

<sup>26</sup> *The Pennsylvania Gazette*, August 25, 1735.

<sup>27</sup> Amicus Patriae [pseud.], *Proposals for traffick and commerce, or foreign trade in New-Jersey* (Philadelphia, 1718), 11.

<sup>28</sup> *An Addition to the Present Melancholy Circumstances of the Province Considered* (Boston, 1719), 8.

that exuded moral outrage, they were profiting from alcohol consumption through their advertisements for fine wines, good brandy, and gallons of rum.<sup>29</sup>

In warning of the dangers of excessive luxury and drinking, traditional elites discouraged ordinary colonists' consumption of imported goods. Depicting these vices as antagonistic to old values, practices, and viewpoints, colonial essayists aimed to mediate economic transformation within existing social structures. The persistence of—and insistence upon—certain moral and social values acted as a countervailing power against market forces, even as population growth, the expansion of private credit, and local communities' entry into wider commercial networks threatened the traditional order.<sup>30</sup> Nevertheless, the spread of paper money and consumer goods altered the society in crucial ways. How colonists accommodated these changes was tied not so much to older ways of thinking and behaving as it was to the nature of paper money itself.

Responses to economic change reflected the emergence of a new culture of value related to paper money in early America that changed what people valued and why. Rather than resist economic transformation and the erosion of old values that it threatened, many colonists accommodated change by adjusting the norms and practices that shaped their behavior in everyday economic and social life. Fashion, manners, and reputation replaced traditional markers of status such as family name and landed wealth.

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<sup>29</sup> *The Pennsylvania Gazette*, November 30, 1732.

<sup>30</sup> Christine Leigh Heyrman, *Commerce and Culture: The Maritime Communities of Colonial Massachusetts, 1690-1750* (New York: Norton, 1984), 74-75, 94-95.

Colonists came to value newly purchased consumer goods for how they looked, and how they made *themselves* look to others.<sup>31</sup>

The new culture of value directly influenced the character of colonial public life. Cities grew more cosmopolitan, tolerant, and informed. Tavern licenses became readily available, merchants exercised influence in social life, and independent newspapers proliferated. As the transformation of public life made it increasingly difficult for traditional provincial elites to control the diffusion of information, they struggled to maintain old social hierarchies and cultural values. In their place emerged a wider “polite society” in which people’s manners outweighed their family name, and colonial men and women could choose how to represent themselves to others.<sup>32</sup>

This alteration in colonial values and identity extended far beyond the urban seaports. In the colonial Chesapeake, the quest for consumer goods by gentry and middling planters alike became a criterion for status, while in Charlestown, Massachusetts, ordinary townspeople sought “social legitimation through emulative spending.” Farmers and shopkeepers who aspired to English country aristocracy invented family histories and purchased ornate crests, faking prestige while investing heavily in consumer goods.<sup>33</sup> Colonists in the Lower Counties of Delaware likewise engaged in polite customs such as tea drinking, and German-Swiss settlers in the Carolina

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<sup>31</sup> Phyllis Whitman Hunter, *Purchasing Identity in the Atlantic World: Massachusetts Merchants, 1670-1780* (Cornell University Press: Ithaca, 2001), 91.

<sup>32</sup> Richard D. Brown, *Knowledge is Power: The Diffusion of Information in Early America, 1700-1865* (New York: Oxford University Press, 1989), 39-41.

<sup>33</sup> Lois Carr and Lorena Walsh, “The Standard of Living in the Colonial Chesapeake,” *The William and Mary Quarterly* 45, no. 1 (1988): 135-159; Steven R. Pendery, “Consumer Behavior in Colonial Charlestown, Massachusetts, 1630-1760” *Historical Archaeology* 26, no. 3 (1992): 57-72.

backcountry possessed symbols of refinement such as knives and forks, teacups, and upholstered furniture. There, colonial settlers used gentility as a strategy “to create their own social identities” on the imperial fringe.<sup>34</sup>

In eighteenth-century polite society, people’s reputations helped convey their creditworthiness to strangers. The traditional social order promoted industry, frugality, and piety as a means of maintaining one’s credit, or trustworthiness. To have credit literally meant that you were trusted by others to pay back your debts, while to be a creditor meant that you trusted your debtors to pay you back. Trust mingled with blood and deference to bind communities together. Beyond the face-to-face trade of friends and neighbors, however, generously bestowing trust on others was risky. Credit—particularly private credit—therefore came to function within the wider Atlantic world of the eighteenth century as what one historian has called the “currency of reputation.”<sup>35</sup> Reputation, a Pennsylvania schoolboy copied in his notebook, could be gained through “Civil language and good behavior...pleasant looks Good words & Actions.” Once lost, reputation was gone forever, and “thou are like a Canceled Writing of no Value.”<sup>36</sup> For colonial shopkeepers and their customers, credit had long denoted honesty, frugality,

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<sup>34</sup> Bedell, “Archaeology and Probate Inventories”; David Colon Crass, Bruce R. Penner and Tammy R. Forehand, “Gentility and Material Culture on the Carolina Frontier,” *Historical Archaeology* 33, no. 3 (1999): 14-31.

<sup>35</sup> Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (New York: Palgrave, 1998), 2-8; Donald E. Frey, *America’s Economic Moralists: A History of Rival Ethics and Economics* (Albany: State University of New York Press, 2009), 4-8.

<sup>36</sup> Henry Flower & Thomas Paschall School Book, 1710, Paschall Family Papers, 1705-1770, HSP.

diligence, and trustworthiness. Across the wider Atlantic world, a person's reputation could make or break their credit, and *vice versa*.<sup>37</sup>

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The spread of paper money and consumer goods revealed contradictions between the colonial and imperial political economy that were not easily resolved. Economic commentators expressed particular concern over how bills of credit affected prices, incomes, and contracts in the colonies. Above all, they worried about rising sterling exchange rates and the colonies' negative trade balance with Britain. They implied that because paper money was not transferable throughout the empire, the rise of Atlantic trade complicated colonists' local geography of value. Colonial writers drew upon an older discourse of industry and frugality to determine that, as a source of value that could be mediated across the Atlantic, North American *labor* offered a solution not only to the colonies' trade imbalance with Britain but also to the social instability that traditional elites feared.

To begin with, colonial legislatures' practice of devaluing their paper money increased the cost of sterling in North America. As a previous chapter stated, legislatures occasionally devalued their currencies by lowering the "par of exchange" (legal exchange rate) between paper money and sterling. In the few colonies that routinely devalued their currencies as a means of paying for military expenditures or for dealing with internal economic crises, the par of exchange continuously fell during the first half of the eighteenth century. The paper money of South Carolina, for example, was given a par of

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<sup>37</sup> Breen, *Marketplace of Revolution*, 137-138.

exchange of £150 to £100 sterling in 1703, compared to £300 to £100 by 1715, the height of the Yamasee War. A popular policy among debtors, devaluation made it easier for legislatures to pay public creditors when cash and credit were tight, while allowing colonists to pay government taxes and private debts in devalued bills of credit at face value.<sup>38</sup>

By increasing the cost of sterling, however, currency devaluation made it more expensive for provincial merchants to import goods from Britain. This was because lowering a currency's par of exchange with sterling directly affected its *commercial* exchange rate, which determined the price colonists had to pay for foreign bills of exchange. Sometimes and in some places, commercial exchange rates were favorable. In Pennsylvania, for example, merchants rarely had to pay more than £170 in paper money for a £100 bill of exchange. In South Carolina and Massachusetts, on the other hand, bills of exchange were often prohibitively expensive. In South Carolina after the Yamasee War, a £100 bill of exchange might cost a colonial merchant as much as £500 in paper money. In Boston in March of 1740, one merchant recorded paying £450 in paper money for a £150 bill of exchange.<sup>39</sup>

Because it made importing British goods more expensive, currency devaluation also contributed to inflation (a general rise in prices) in North America. While it is understandable that colonial merchants dealing with unfavorable exchange rates would

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<sup>38</sup> Eric P. Newman, *The Early Paper Money of America: An Illustrated, Historical, and Descriptive Collection of Data Relating to American Paper Currency from Its Inception in 1686 to the Year 1800* (Iola, WI: Krause Publications, 1997), 399-406.

<sup>39</sup> Newman, *Early Paper Money of America*, 325-330, 399-406; Account Book Kept by a Boston Merchant, 1736-1741, March 28, 1740, MHS.

want to pass these costs onto consumers, commentators noted that increasing costs across the economy hurt poor people, salaried ministers, and certain other groups on fixed incomes disproportionately. This was especially true in colonies like Massachusetts, which lacked public markets to regulate the prices of food and other everyday provisions.<sup>40</sup> In “raising the price” of both luxuries and necessities, the Massachusetts minister Benjamin Colman asserted, merchants, peddlers, and yeomen alike scrambled “to get what they can, without any conscientious tender regards to the rule of Justice and Mercy.”<sup>41</sup> By this “Spirit of Extortion,” Cotton Mather echoed Colman, “the Poor must be cruelly Pinched.”<sup>42</sup> Part of the problem, an anonymous essayist pointed out, was that while prices rose, wages remained stagnant. “If I’m a Laborer and can have Four Shillings for a Day’s Work, and a few Years ago I could buy Wheat for Five Shillings a Bushel,” the writer illustrated, then “now [I] must give Ten.”<sup>43</sup>

The yearly incomes of ministers, school masters, college tutors, and judges had also not kept pace with inflation, and colonial commentators—including the clergy themselves—expressed a particular unease with local communities’ failure to take care of their spiritual leaders. Ministers who had received their contracts before paper money was in use in a colony had to accept discounted and devalued bills of credit at face value equal to sterling in the amount for which they were originally contracted, even though the rules of “Justice and Equity” stipulated that “they should have so much paid in Province

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<sup>40</sup> *An Addition to the present melancholy circumstances*, 22.

<sup>41</sup> Benjamin Colman, *The religious regards we owe to our country, and the blessing of Heaven assured thereunto* (Boston, 1718), 40-41.

<sup>42</sup> Mather, *Concio Ad Populum*, 21.

<sup>43</sup> *An Addition to the present melancholy circumstances*, 17.

Bills, as (in common estimation) is Equivalent to the Money that used to be paid them.” Likewise, ministers who had received contracts after paper money was already in use should have had their salaries adjusted “in proportion to the difference in common dealing between the Bills of Credit now, & what they were formerly.”<sup>44</sup> Failure to do so, the critics urged, amounted to an unfair tax, if not a breach of contract, between a preacher and his flock.<sup>45</sup>

Other colonists invoked principles of justice and equity to suggest that forcing local creditors to accept discounted and devalued paper money at face value constituted a fraud long perpetuated by corrupt governments and greedy debtors. In his 1738 *Essay Concerning Silver and Paper Currencies*, William Douglass explained that in medieval England, the gap between money’s nominal and “real” value became obscured over time by “corrupt civil Administrations” that “reduced the nummary Denominations to a less Value than its Weight, and cheated Creditors of some Part of their Dues and Demands.” The colonial legislatures, Douglass pointed out, committed the same fraud. In Massachusetts, he explained, paper money

did continually become less, and the Merchants at Home were from Time to Time paid a less Value than they had contracted for; thus, for a Debt contracted 25

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<sup>44</sup> *The present melancholy circumstances of the province consider’d*, 12-13; Jabez Fitch, *A Plea for the ministers of New-England* (Boston, 1724), 10-11; Samuel Woodbridge, *Obedience to the Divine Law, urged on all orders of men, and the advantage of it shew’d* (New London, CT, 1724), 20-22.

<sup>45</sup> Cotton Mather, *Repeated Admonitions: in a monitory letter, about the maintainance [sic] of an able and faithful ministry* (Boston, 1725), 2-3; John Tufts, *Anti-ministerial objections considered, or The unreasonable pleas made by some against their duty to their ministers, with respect to their maintenance answered* (Boston, 1724), 3-4; John White, *New England’s lamentations under these three heads, the decay of the power of godliness; the danger of Arminian principles; the declining state of our church-order, government and discipline* (Boston, 1734), 41-42.

Years ago, he now receives only 7 s. in the Pound, that is the Debtor (defrauds) retains 13 s. in the Pound of the Merchant's Money, and with this he builds fine Houses makes Purchases, etc.

Unless paper money's exchange value be properly secured, Douglass concluded with sarcasm, the legislation that created it "may properly be called An Act for the Relief of insolvent Debtors."<sup>46</sup>

Douglass and others opposed the English legal doctrine of "nominalism" that colonial legal tender laws embodied. This custom, written into common law in 1605, decreed that creditors had to accept the government's money as payment for debts contracted in sterling at face value, even if the money passed in trade for less than that value. In Britain, where the government's money comprised silver coins, nominalism made the weight and fineness of a coin's content irrelevant. The same principle in the colonies legally collapsed the distinction between paper money's denomination (or face value) and its exchange rate with sterling (related to exchange value). Under nominalism, colonists could not adjust a debt contracted in sterling to account for changes over time in paper money's exchange rate. Currency policies that decreased paper money's present exchange value, such as lowering the par of exchange or postponing taxes, were thus said to diminish the "real" value of contracts payable in legal tender bills of credit.<sup>47</sup>

Debtors relied on the principle of nominalism when they occasionally used the legal process to profit from declining currency values. Sometimes they delayed paying a

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<sup>46</sup> William Douglass, *An Essay, Concerning Silver and Paper Currencies: more especially with regard to the British colonies in New-England* (Boston, [1738]), 2, 4, 13.

<sup>47</sup> For the history of nominalism in England, see Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford: Oxford University Press, 2014), 268-274.

debt with the anticipation that currency values would fall further in the time it took their creditor to settle a lawsuit against them. In Massachusetts, where continuous warfare and frequent economic crises as well as internal political conflicts over currency policies made paper money values unstable, such instability drove periods of high litigation. After several attempts to enhance paper money's exchange value, the colonial legislature finally abandoned the principle of nominalism in 1742 under pressure from London with a law that would require debts contracted after March of that year to be adjusted in proportion to paper money's discount to face value.<sup>48</sup>

Currency devaluation, the rising cost of imports, and price inflation ultimately made it difficult for Atlantic merchants to make returns to Britain, contributing to a growing negative trade balance with the mother country and increasing demand for colonial exports to reverse it. Drawing on seventeenth-century trade balance theory, most economic commentators understood that the colonies' trade deficit could only be mitigated if colonists started exporting more than they imported. From one perspective, their negative trade balance resulted not from exporting too little, but from importing too much of what could be made at home. Some writers thus advocated that settlers eat their own produce and meat, brew their own beer, and create their own clothing rather than rely on Britain for life's necessities. Encouraging a reliance on "the Produce of our own Country," Paul Dudley argued, would "make the Balance of Trade in our Favor."<sup>49</sup> From

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<sup>48</sup> Claire Priest, "Currency Policies and Legal Development in Colonial New England," *The Yale Law Journal* 110, no. 8 (2001): 1303-1405; John L. Brooke, *The Heart of the Commonwealth: Society and Political Culture in Worcester County, Massachusetts, 1713-1861* (Cambridge: Cambridge University Press, 1989), 68-75.

<sup>49</sup> Dudley, *Objections to the Bank of Credit*, 23-24.

a slightly different perspective, however, the best way to restore a positive trade balance was not necessarily through decreasing imports, but by increasing exports through the development of colonial manufacturing. “How Nature Invites us to Build Shipping,” a Philadelphia pamphleteer pointed out, as well as “To make Iron,” “Sails and Rigging,” and “Hemp and Flax in abundance.” Others writers fell somewhere in between the two viewpoints. The only way to reverse the colonies’ negative trade balance with Britain, a Boston essayist explained, was “to make our Export exceed our Import, which by Industry and Frugality...we might early do.”<sup>50</sup>

Economic concerns over the colonies’ growing trade deficit overlapped with social and moral ones, and some essayists complained that by encouraging the superfluous consumption of foreign goods, paper money had actually helped cause the colonies’ negative trade balance with Britain. “Were Frugality and good Husbandry Universally in Fashion among us,” Dudley insisted in 1714, “there would not be such a Clamor for want of a Medium of Exchange.”<sup>51</sup> The author of *The Present Melancholy Circumstances of Massachusetts-Bay* was similarly of the opinion “that a Thousand Schemes about Banks and Paper-Money, would not help us...But the longer we continue in our present course of spending so much on Imported Commodities, and raising so little by our own labors, so much the deeper we necessarily sink into misery.”<sup>52</sup> Thomas Hutchinson contended in 1736 of colonial bills of credit that “without this imaginary

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<sup>50</sup> *Proposals for Traffick and Commerce*, 4, 12, 6; *An Addition to the present melancholy circumstances*, 20.

<sup>51</sup> Dudley, *Objections to the Bank of Credit*, 24.

<sup>52</sup> *The Present Melancholy Circumstances*, 10.

Wealth...we should never had a supply for so much Luxury and Extravagance among us.”<sup>53</sup>

Those who, like Dudley and Hutchinson, viewed the problem of trade imbalance through economic, as well as social and moral, valuations sought solutions within an older discourse of industry and frugality. In seventeenth-century England, economic theorists such as Thomas Mun, Gerard de Malynes, and Edward Misselden had campaigned vociferously against the working poor’s sloth and vice, the wastefulness of the rich, the unhindered self-interest of usurious moneylenders, and the excessive importation of luxury goods.<sup>54</sup> Concluding that easy access to paper money and the expansion of private credit had discouraged ordinary colonists from working, eighteenth-century colonial commentators echoed their seventeenth-century English counterparts’ pronouncements. They urged moderation, “Frugality,” and “Diligence,” decried “Idleness” as a crime, and identified labor as the key to trade, as well as social and moral, balance.<sup>55</sup> “The Wise Creator and Governor of all things,” one essayist explained of people’s innate duty to labor, “has fitted and adapted Man for Work and Business.”<sup>56</sup>

A labor theory of value was not incompatible with colonial bills of credit—on the contrary, it was closely related to the land bank system. As previous chapters explained, prominent supporters of paper money such as Francis Rawle and Benjamin Franklin had

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<sup>53</sup> Thomas Hutchinson, *A letter to a member of the Honourable House of Representatives, on the present state of the bills of credit* (Boston, 1736), 9.

<sup>54</sup> Andre Finkelstein, *Harmony and Balance: An Intellectual History of Seventeenth-Century English Economic Thought* (Ann Arbor: University of Michigan Press, 2000), 39-40, 59-50, 57-59, 80-83.

<sup>55</sup> Mather, *Concio Ad Populum*, 11, 15; *Reflections on the Present State of the Province of Massachuset-Bay in general, and the town of Boston in particular* (Boston, 1720), 9.

<sup>56</sup> *An Addition to the present melancholy circumstances*, 1-3.

long emphasized the importance of supporting bills of credit not only with “public faith” but also with labor. This was especially true of paper money backed by land. To be sure, Rawle noted in a 1725 essay, paper money may make provinces “*nominally*” wealthy. “What must make these Provinces really rich,” however, was “the Value of the Farmers Labor; for by the Value of the Produce, Land will rise, and be more valuable...notwithstanding we might have a Million of Paper-Money.”<sup>57</sup> In his 1729 pamphlet, *A Modest Enquiry into the Nature and Necessity of a Paper-Currency*, Franklin similarly suggested that labor was the best “Measure of Values,” because it imbued all things with economic worth.<sup>58</sup> For Franklin, one historian has pointed out, paper money was not simply coined land, but “coined labor” as well.<sup>59</sup> In championing the economic potential of labor applied to land, Rawle, Franklin, and others abandoned their seventeenth-century mercantilist counterparts. The colonial experience of growth—produced by an abundance of land, the expansion of credit, and a rising settler population—challenged the old notions that wealth was finite and that trade was a zero-sum game.<sup>60</sup>

For paper money’s opponents, labor’s purpose was to reverse the colonies’ negative trade balance in order to bring specie back to the colonies, so that local merchants could pay their debts in Britain. They claimed that in exacerbating the colonies’ trade deficit, bills of credit had worsened the colonies’ scarcity of gold and

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<sup>57</sup> Francis Rawle, *Ways and Means for the Inhabitants of Delaware to Become Rich: Wherein the Several Growths and Products of These Countries are Demonstrated to Be a Sufficient Fund for a Flourishing Trade* (Philadelphia, 1725), 21-22 (emphasis mine).

<sup>58</sup> Benjamin Franklin, *A Modest Enquiry into the Nature and Necessity of a Paper-Currency* (Philadelphia, 1729), 19-20.

<sup>59</sup> Waldstreicher, “Capitalism, Slavery, and Benjamin Franklin’s Revolution,” 197-198.

<sup>60</sup> Cathy D. Matson, “Imperial Political Economy: An Ideological Debate and Shifting Practices,” *The William and Mary Quarterly* 69, no. 1 (2012): 35-40.

silver coins. In fact, when the Atlantic trade expanded after 1700, colonial production did not rise in proportion. Colonial merchants had to pay the balance in specie (which was scarce) or in bills of exchange (which were expensive), or else rely on the liberal credit terms British merchants offered them. Early eighteenth-century economic commentators proposed numerous schemes, from silver banks to convertible land bank money, for gradually replacing bills of credit with a specie-based currency. Only by bringing gold and silver coins back to the colonies, they argued, could colonial merchants be reasonably expected to pay their debts in Britain.<sup>61</sup>

As both critics and advocates of paper money increasingly emphasized human labor as the ultimate source of economic value, the loudest demands for labor came from the empire. Merchants with ties to Britain understood that unlike paper money, labor's value could be mediated throughout the Atlantic world; more precisely, colonial labor created commodities that could be exchanged for gold and silver specie, which some Atlantic merchants claimed had "universal" value among trading nations. Ultimately, the increasing demand for colonial exports caused by the colonies' negative trade balance with Britain drove the expansion of a plantation complex in North America based on slave labor. Winning the *Asiento* in the Treaty of Utrecht (1713) had already secured Britain's dominant position in the transatlantic slave trade. The *Asiento*, which bestowed the right to sell enslaved Africans and British goods in Spanish colonies, went to the

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<sup>61</sup> See, for example, Amicus Patriae [pseud.], *Proposals for traffick and commerce, or foreign trade in New-Jersey* (Philadelphia, 1718), 7-8; [Edward Wigglesworth], *A project for the emission of an hundred thousand pounds of province bills* (Boston, 1720).

South Sea Company, whose ships carried tens of thousands of slaves to Spanish America before the South Sea Bubble burst in 1720.<sup>62</sup>

Britain's ascendancy in the slave trade formed the foundation a growing commercial empire that discouraged the development of yeoman husbandry and colonial manufacturing for export. On the contrary, William Wood observed in his 1718 essay, *A Survey of Trade*, "the Labor of Negroes is the principal Foundation of our Riches from the Plantations," for it created "the Value of the Produce of our Plantations, annually sent to Great Britain." The strictures of the imperial political economy limited economic diversification in the colonies, while encouraging the production of a few cash crops for export. From London's perspective, slave labor was the final grounds of imperial value.<sup>63</sup>

On the other side of the Atlantic, the eighteenth-century's economic transformations helped create a new culture of value that changed what colonists valued and why. If the paper money economy and the consumer revolution altered colonial values and identity, however, then it also complicated colonists' geography of value. Over time, the demands of the imperial political economy made it increasingly difficult for colonists to mediate the growing gap between the "local" value of their paper money and the "universal" value of specie. As colonial markets converged with Atlantic ones, paper money became less valuable in exchange. Against this backdrop, efforts by the British government to regulate the colonial currencies gained traction.

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<sup>62</sup> Carl Wennerlind, *Casualties of Credit: The English Financial Revolution, 1620-1720* (Cambridge, MA: Harvard University Press, 2011).

<sup>63</sup> William Wood, *A Survey of Trade: in four parts* (London, 1718), 170; James A. Rawley, *The Transatlantic Slave Trade: A History* (New York: Norton, 1981) 60-63; 129.

## CHAPTER SIX

### THE IMPERIALIZATION OF VALUE

The Middle Way, and what is best for the whole Empire on both Sides the Water, seems to me to be, to permit or rather enjoin the legal Tender, repealing totally the Act that forbids that Tender, and laying the Restraint rather on the Quantities to be emitted, so as to keep them within moderate Bounds. Most of the Colonies have indeed sufficient Discretion acquired by Experience to take Care of themselves in that particular. And when the British Merchant is taken Care of, as I presume he will be in the Repealing Act, the Colonists can then hurt only themselves by a depreciating Currency, and will generally be well on their Guard.

Benjamin Franklin (1767)

In January of 1741, veteran printer Ben Franklin's new publication, *The General Magazine and Historical Chronicle*, rolled off the Philadelphia presses, promising a fresh take on the news. The editor would spare no expense, printing only the best stories in order to make it "as entertaining and useful as possible." Unlike the *Pennsylvania Gazette*, the local weekly paper Franklin had purchased from Samuel Keimer in 1729, *The General Magazine* was to be published monthly, for the enjoyment and benefit of all the King's subjects living in North America.<sup>1</sup>

A person skimming the inaugural issue's contents page would have noticed that four of the first five items listed were stories about money. Pages six to eight documented the recent Parliamentary proceedings "on the Affair of Paper-Money in the American Colonies," followed by a copy of the instructions all colonial governors received on the matter. Pages eleven through seventeen featured Massachusetts' "Scheme for emitting

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<sup>1</sup> *The General Magazine, and Historical Chronicle, for all the British Plantations in America (1741-1741)* 1, no. 1 (January 1741): 2.

*Notes to pass in Lieu of Money*” and New York’s proclamation “*relating to the Coin.*”<sup>2</sup> The second issue contained Franklin’s own “Essay on Paper-Currency,” and, as promised, the *Magazine*’s third issue laid out a full prospectus of “The New-England Manufactory Scheme,” better known as the Massachusetts Land Bank.<sup>3</sup>

In Franklin’s view, recent events concerning Massachusetts had threatened to set a new precedent for Parliament’s involvement in colonial paper money regimes. “*New England* is the most unhappy in its Paper-Currency of any of the Colonies,” Franklin explained. The colony’s apparent mismanagement of its bills of credit had “occasion’d several strict Instructions from the Crown...The last of which Instructions directs, That no more than *Thirty Thousand Pounds* should be ever current...at the same Time.” When colonial agents petitioned for the royal instruction’s withdrawal, the House of Commons censured the Massachusetts government, leading citizens “to cast about for Methods of furnishing themselves that might supply [paper money’s] Place.” Two competing proposals for a private currency, the editor continued, have since “rent the Country into violent Parties.”<sup>4</sup>

If the spread of paper money and consumer goods after Queen Anne’s War (1702-13) altered the nature of colonial society and led to contradictions between the colonial and imperial political economy, it was British attempts to regulate money and

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<sup>2</sup> *The General Magazine* 1, no. 1, 2.

*The General Magazine* 1, no. 2 (February 1741): 117-120; *The General Magazine* 1, no. 3 (March 1741): 184-189;

<sup>3</sup> *The General Magazine*, February 1741, 117-120; *The General Magazine*, March 1741, 184-189; J. A. Leo Lemay, *The Life of Benjamin Franklin, Volume 2: Printer and Publisher, 1730-1747* (Philadelphia: University of Pennsylvania Press, 2005), 306-309.

<sup>4</sup> *The General Magazine* 1, no. 1, 10-11.

value in the colonies throughout the eighteenth century that ultimately became corrosive to the larger imperial order. This chapter examines what happened when Britain intervened in colonial paper money regimes. Three main objectives—standardizing exchange rates, establishing specie-based currencies, and prohibiting the legal tender status of bills of credit—informed the mother country's ambitions. These repeated interventions created conditions, poorly understood by previous generations of scholars, that made the imperial crisis difficult to resolve peacefully.

Ultimately, Britain's efforts to reform the empire's financial structure after King George's War (1744-48) exposed fault lines between the provincial political community and the ideology and aims of the British empire. While imperial reformers tried to reconcile competing visions of political economy with proposals for monetary union, the end of the French and Indian War (1754-63) drove Parliament to impose taxes on the colonies in a variety of ways to help pay Britain's spiraling debt and support the empire's enhanced military commitments. Together with the Stamp Act of 1765, the Currency Acts of 1751 and 1764 amounted to an attack not only on colonial legislatures' prerogatives but also on the economic ideas and local institutions that supported and served the provincial political community. The colonists' response to these regulations reflected the centrality of paper money to colonial values and identity in the eighteenth century.

During the seventeenth century, English endeavors to define colonial monetary policy had been limited to two provisions: a ban on exporting sterling to North America and a prohibition on minting coins there. A third measure was added in 1704. While

historians have tended to overlook Queen Anne's Proclamation (which Parliament made into law in 1707), its history is important to understanding how Britain ultimately rejected the colonies' prerogative to make money and define value. Aiming to restrict colonial legislatures from devaluing their foreign coins, Queen Anne's Proclamation set the "par of exchange" (legal exchange rate) of those coins to a single standard of value throughout colonial America. In short, the law affirmed that a Spanish piece of eight (Spanish dollar) was worth six shillings in the colonies, or a par of exchange of £133 colonial money to £100 sterling.<sup>5</sup>

Neither practical nor popular, Queen Anne's Proclamation was poorly enforced by colonial governments in the era of "salutary neglect." Devaluing foreign coins by lowering their par of exchange with British sterling was long practiced by legislatures, while colonists routinely took matters into their own hands by clipping or shaving foreign coins. As the lieutenant governor of Pennsylvania John Blackwell explained of the colony's money supply in a 1688 letter to William Penn, "several species of moneys are denominated that pass here: some whereof are allowed by Law; & others pass customarily in trading." English coins passed by law at "one fourth part more in denomination than in England," while Spanish dollars passed by law at six shillings. Blackwell noted that while such species were "supposed to contain the weight at which they are coined," they rarely did. Through clipping, shaving, and normal wear and tear, "all the current money of this Province" was "advanced in denomination to double its

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<sup>5</sup> Leslie Brock, *The Currency of the American Colonies: A Study in Colonial Finance and Imperial Relations* (New York: Arno Press, 1975), 132-34.

intrinsic value.”<sup>6</sup> In short, Queen Anne’s Proclamation sought to eliminate the laws and customs that Blackwell had observed in the late seventeenth century. Fifteen years later, news of the proclamation in Pennsylvania sparked a conflict in that colony that pitted creditors and landlords against debtors and tenants. The creditors and landlords demanded payment for debts and rents in proclamation rates, which the debtors and tenants resisted, complaining to a sympathetic legislature that their having to pay the difference amounted to an exorbitant interest rate.<sup>7</sup>

More importantly, Queen Anne’s Proclamation was designed with gold and silver coins in mind at a time when some colonies were beginning to issue paper money. Since the law technically only applied to coins, legislatures could set their currencies’ legal exchange rates however they wished. Thus, during Queen Anne’s War, South Carolina currency had a par of exchange of £150 to £100 sterling and Massachusetts issued legal tender bills of credit at a rate of £140 to £100 sterling. New York paper money passed at a rate of £150 to £100, while bills of credit issued through the New Jersey loan office had an exchange rate of £155 to £100. When bills of credit replaced foreign coins as English colonies’ de facto medium of exchange after 1710, “proclamation rates” became irrelevant to local trade.<sup>8</sup>

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<sup>6</sup> John Blackwell to William Penn, February 1688/89, John Blackwell correspondence to William Penn, 1688-99 [transcripts], Historical Society of Pennsylvania.

<sup>7</sup> Daniel Johnson, “What Must Poor People Do?: Economic Protest and Plebeian Culture in Philadelphia, 1682-1754,” *Pennsylvania History: A Journal of Mid-Atlantic Studies* 79, no. 2 (2012): 117-153.

<sup>8</sup> Eric P. Newman, *The Early Paper Money of America: An Illustrated, Historical, and Descriptive Collection of Data Relating to American Paper Currency from Its Inception in 1686 to the Year 1800* (Iola, WI: Krause Publications, 1997), 399-406, 157-180, 243-255, 221-225; Thomas L. Purvis, *Proprietors, Patronage, and Paper Money: Legislative*

In light of its efforts to give foreign coins a consistent par of exchange with British sterling throughout the colonies, perhaps it is surprising that the mother country addressed colonial paper money only a few times before 1730. In each of those instances, however, Britain was dealing with colonies whose integration into the Atlantic system had placed paper money in a precarious position. Responding in 1706 to British merchants' complaints about the fluctuating value of Barbados's bills of credit, for example, the crown vetoed the island colony's paper money act. After Queen Anne's War (1702-13), the Board of Trade instructed royal governors to ensure that all paper money issues were secured by either taxes or mortgages, while colonial legislatures had to start including suspending clauses in paper money legislation.<sup>9</sup> Even with these stipulations, the royal government rarely disallowed paper money acts over the next couple of decades. In total, they banned only three: the Barbados act, plus two more in South Carolina during the 1720s.<sup>10</sup>

During the 1730s, however, a small lobby of British merchants petitioned the royal government to ban paper money altogether and return the colonies to a specie standard in line with Queen Anne's Proclamation. Their complaints initially centered on South Carolina, where the par of exchange between the local currency and sterling was

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*Politics in New Jersey, 1703-1776* (New Brunswick, NJ: Rutgers University Press, 1986), 146-148.

<sup>9</sup> Joseph Ernst, *Money and Politics in America, 1755-1775: A Study in the Currency Act of 1764 and the Political Economy of Revolution* (Chapel Hill: University of North Carolina Press, 1973), 24-26, 30.

<sup>10</sup> Under royal rule in 1723 and again in 1736, the South Carolina assembly authorized acts issuing paper money, but the Crown approved neither. See Maurice A. Crouse, *The Public Treasury of Colonial South Carolina* (Columbia: University of South Carolina Press, 1977), 29-31.

£500 to £100 by 1721, the year the province welcomed its first royal-appointed governor. Despite opposition from Charleston traders, the first paper money act under Governor Francis Nicholson passed easily in the legislature. The Board of Trade obtained a royal veto, but the South Carolina legislature fought back with an act that delayed the redemption of paper money already in circulation. The Board of Trade's decision to ignore a subsequent petition to ban paper money in the colony catalyzed the merchant lobby to turn to Parliament for support.<sup>11</sup>

In 1739 at the British petitioners' urging, the House of Commons began an inquiry into the colonial currencies. Parliament asked the Board of Trade to report on monetary policy in the colonies, particularly specie and paper money exchange rates since 1700, and to procure testimonials from colonial governors on how best to retire outstanding bills of credit for good. The Commons ultimately decided that legal tender paper money discouraged British commerce, and asked all royal governors to veto currency acts that lacked the required suspending clause. Despite their cooperation with Parliament, however, the Board of Trade had no intention of recommending a ban on paper money; with many British merchants supporting the colonial currencies and with policies varying across the colonies, the Board insisted that the best course of action was simply to encourage colonial governors to enforce existing policies.<sup>12</sup>

The Commons rejected the Board's opinion that nothing could be done and searched for a way to turn the colonies' constitutional premise for paper money into a legal fiction. In April of 1740, the House committee leading the Parliamentary inquiry

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<sup>11</sup> Ernst, *Money and Politics in America*, 31-33.

<sup>12</sup> Ernst, *Money and Politics in America*, 32-34.

challenged paper money's legality with a reinterpretation of Queen Anne's Proclamation and the law of 1707. In retrospect, the members of the committee resolved, the proclamation "hath not been duly observed, *as it ought to have been*, by means whereof many *indirect Practices* have grown up, and various and *illegal* Currencies have been introduced in several of the said Colonies and Plantations, contrary to the *true Intent and Meaning* of the said Act." The committee concluded that colonial governments' practice of making paper money "by Virtue of Acts of Assembly," and then forcing people to take it as payment for debts at face value, "frustrated the *good Intentions* of Queen Anne's Proclamation."<sup>13</sup>

Queen Anne's Proclamation was intended not only to restrict the colonies' ability to lower the legal exchange rates of foreign coins but also to place every colony on the *same* par of exchange with Britain in order to prevent confusion among British merchants trading to North America. Between colonial paper money regimes, currency exchange rates varied widely. As the Barbados planter and economic commentator John Ashley explained in his 1740 book, *Memoirs and Considerations Concerning the Trade and Revenues of the British Colonies in America*, the colonies had

varied the nominal price of Silver in proportion to the Value of their Paper-Money....so that in Process of Time, almost every Province...varied more or less in their Currency...which put the whole American Trade upon a state of uncertainty, and into such Confusion, that no Trader could tell how to value his Debts after they were once contracted.

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<sup>13</sup> "Proceedings in the Parliament of Great-Britain on the Affair of Paper-Money in the American Colonies, April 25, 1740" in *The General Magazine and Historical Chronicle* 1, no. 1 (January 1741): 7-8. Emphases mine.

While in Britain and other European countries, silver was the standard of value by which all other prices were measured, the colonies measured value according to their bills of credit. Rather than adjust paper money's denomination according to its "intrinsick Value with Silver," colonial legislatures altered the price of silver in terms of paper money. As a result, the same ounce of silver that went for six or eight shillings throughout the provinces in the seventeenth century cost 28 shillings in Massachusetts paper money and 42 shillings in South Carolina bills of credit by 1740. Such varying exchange rates could create problems for creditors whose contracts had been negotiated in sterling (the colonies' unit of account), but were payable in bills of credit at face value.<sup>14</sup>

Ashley's proposal for a solution reiterated Parliament's desire to apply proclamation rates to colonial paper money. Yet it was not out of line with the pleas of some colonists, discussed in the previous chapter, that ministers' incomes and creditors' contracts be adjusted in proportion to paper money's discount. The Caribbean planter suggested "that there be an equal and fixed Price for Silver throughout all those Colonies and Plantations" of five shillings and three pence per ounce. This so-called "Sterling Money, Proclamation Money, or new money" would establish a single standard of value across the colonies, so that each colony had the same exchange rate with Britain. By contrast, the denominations of paper money required to purchase £100 Sterling Money would vary. If all the colonial currencies passed at a "fixed Standard of Silver," Ashley argued, then a creditor could expect his property to retain its value in sterling "while it is

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<sup>14</sup> John Ashley, *Memoirs and considerations concerning the trade and revenues of the British colonies in America* (London, 1740; 1743), 51-52. Citations are from the 1743 edition.

in other People's Hands," rather than diminish in proportion to the local currency's discount. On the contrary, old paper money would now be adjusted in proportion to the new Sterling Money.<sup>15</sup>

Benjamin Franklin published his own scheme for a provincial currency in 1741 that echoed Ashley's book. Franklin denied claims that paper money was responsible for the colonies' negative trade balance with Britain, but he acknowledged that meaningful currency reform depended on the establishment throughout the colonies of a uniform standard of value based on silver. He thus proposed "fixing the Value of a Paper Currency" to Queen Anne's Proclamation rates, "which would likewise make the said Bills equal to Foreign coins." This new provincial currency, Franklin envisioned, could be issued partly on loan and partly on the security of North American commodities shipped abroad, the proceeds of which would be deposited into a fund in London. Any colonist could apply to withdraw sterling from the fund with bills of exchange drawn at the proclamation rate. "Upon the Execution of this Scheme," Franklin concluded, "the Rate of Exchange would be fixed and ascertained; which, 'tis hoped, would effectually remove the Prejudices which the Merchants in *England* seem to have conceived against a Paper Currency in the Colonies."<sup>16</sup>

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With its growing community of influential Atlantic merchants, the first colony to actually place its currency on a par with sterling was Massachusetts. There, monetary reform went beyond regulating paper money's exchange rate with sterling to returning

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<sup>15</sup> Ashley, *Memoirs and considerations*, 58-59, 62.

<sup>16</sup> *The General Magazine* 1, no. 2 (February 1741): 118-120.

the currency itself to a specie standard. Throughout the 1730s, the Board of Trade became increasingly proactive in its efforts to change Massachusetts's monetary system. In consultation with the House of Commons, the Board instructed Governor Jonathan Belcher to begin limiting the colony's annual issues of paper money to £30,000 and to start the process of retiring outstanding bills of credit, which by 1730 totaled over £300,000. All of the old bills were to be redeemed by 1741, after which the colony was expected to return to a specie standard for the first time in half a century. In addition, Belcher was to take over the legislature's responsibility of supplying the treasury.<sup>17</sup>

The assembly resisted the governor's order to retire the currency by refusing to tax old emissions out of circulation and by stalling new issues. As a result, the money exchanged at a steep discount to face value, credit conditions tightened, and Massachusetts colonists resorted to using other colonies' bills of credit. Rhode Island alone issued £100,000 in bills of credit on loan in 1733, while private and public notes issued by the New London Society for Trade and Commerce and the Connecticut legislature, respectively, circulated throughout New England. In 1733, the political stalemate between Governor Belcher and the assembly, along with Massachusetts's increasing dependence on neighboring colonies' paper money, prompted a group of local merchants to form their own bank, through which they issued £110,000 in promissory notes that were redeemable in silver at the end of ten years. The bank failed—instead of using them in trade, the holders hoarded the “Merchants Notes” in hopes of someday

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<sup>17</sup> William Pencak, *War, Politics & Revolution in Provincial Massachusetts* (Boston: Northeastern University Press, 1981), 68, 77-92.

redeeming them for silver—leading to a compromise between Belcher and the assembly to emit three annual issues of paper money at once.<sup>18</sup>

The leader of Massachusetts’s “popular party,” Elisha Cooke, Jr., led the opposition against the governor’s supply ban. After Cooke petitioned the British House of Commons to protest the instruction, however, the Commons responded with a condemnation of Massachusetts. Active opposition to Governor Belcher’s instructions fizzled out when Cooke died in 1737, creating a political vacuum that Thomas Hutchinson and the “court party” eagerly filled.<sup>19</sup>

A Massachusetts native, Belcher sought common ground between the legislative prerogative to make paper money and the Board of Trade’s instructions. The Board threatened to recall the governor if he failed to retire all of the colony’s outstanding bills of credit as originally directed, but it agreed to extend the redemption deadline from 1741 to 1742. In the meantime, Belcher worked with the court party to prepare the colony for its transition to a convertible, or redeemable, specie-based currency. They created a “new tenor” of paper money to be exchanged with existing bills of credit at a rate of £3 “Old Tenor” to £1 “New Tenor.” Throughout 1737, £60,000 in New Tenor bills were issued on loan “to Undertakers”—import merchants with access to specie—who promised to repay the loan in silver or gold. The bills would then be receivable at the provincial treasury for silver at a rate of 6 shillings and 8 pence per ounce. In theory, making the bills convertible to specie would support their exchange value while bringing silver into the

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<sup>18</sup> Richard L. Bushman, *From Puritan to Yankee: Character and Social Order in Connecticut, 1690-1765* (Cambridge, MA: Harvard University Press, 1967), 124-130; Brock, *The Currency of the American Colonies*, 35-63.

<sup>19</sup> Pencak, *War, Politics, & Revolution*, 93-97.

colony. In practice, the bills were hoarded just like the Merchants Notes of 1733, as colonists hoped to eventually redeem them for silver. This prompted Belcher to initiate a policy of heavy taxation beginning in 1738. Belcher hoped that removing the old paper money from circulation would compel colonists to start using the New Tenor bills of credit in trade.<sup>20</sup>

In a 1738 essay, the Boston merchant and economic theorist, Hugh Vans, addressed the folly of expecting the new specie-based bills of credit to function as a medium of exchange and criticized Belcher's decision to raise taxes. As Vans explained, the provincial government's promise to pay holders "a certain Quantity of Silver at a distant Time" frustrated the bills' "Usefulness as Money" by driving up silver prices and interest rates, encouraging holders to hoard rather than spend the bills, and emboldening "stockjobbers" (speculators) and usurers. Making the bills redeemable for sterling turned them from a medium of exchange into a profitable commodity. Consequently, he observed, "there is so little Money at present in free Circulation, and natural Interest incredibly high," that taxing old paper money out of circulation without issuing additional quantities "upon new [tax] Funds...might have woeful Effects with Regard to the Interest of this Province, and proportionably to that of the Mother Country."<sup>21</sup>

As the supply of paper money contracted and economic conditions deteriorated in Massachusetts, colonists worried about the fate of their old bills of credit and hoped for a last-minute reversal of the Board of Trade's instructions. From the colonists' perspective,

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<sup>20</sup> Pencak, *War, Politics, & Revolution*, 100-102.

<sup>21</sup> [Hugh Vans], *Some Observations on the Scheme projected for emitting 60000 l. in Bills of a New Tenour, to be redeemed with Silver and Gold* (Boston, 1738), 16-17.

British intervention had caused their financial distress. In a November of 1739 letter to London, Benjamin Colman reasoned that “no Governor will ever be able sit in the Chair here; nor can the safety of the Province, nor that of our Merchandize either, be provided for; unless the King please to ease us of his Instruction about the Emission of Moneys.” According to Colman, it was “far better for the province to have a Currency of their own, bad as it is, then to depend upon a supply from Rhode Island; & the merchants in London will certainly in their End find it better for themselves.” While he and others had hoped that retiring the old bills from circulation “upon our approach to [seventeen] forty one, would raise the Value of them,” the hoarding of the New Tenor bills coupled with the influx of Rhode Island currency had caused the opposite to happen. Unless Massachusetts be given the “Liberty of making such new Emissions as will render Taxes easy,” a writer for the *New-England Weekly Journal* echoed Colman, the colony could expect “terrible Consequences.”<sup>22</sup>

The collision of imperial policy and provincial politics produced the Land Bank Controversy of 1739-1741.<sup>23</sup> Rather than wait for 1742, in June of 1739 the

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<sup>22</sup> Benjamin Colman to Francis Wilks, November 19, 1739. Benjamin Colman Papers, 1641-1806, box 2, folder 5, Massachusetts Historical Society (hereafter MHS); “Extract of a Letter from a Gentleman in London, to his Friend in Boston,” *New-England Weekly Journal*, November 13, 1739.

<sup>23</sup> Previous historians have understood the Massachusetts Land Bank controversy of 1739-41 either by looking sideways at the Great Awakening or ahead to the American Revolution. For scholarship linking “New Lights” to paper money and “Old Lights” to specie, see Rosalind Remer, “Old Lights and New Money: A Note on Religion, Economics, and the Social Order in 1740 Boston,” *The William and Mary Quarterly* 47, no. 4 (1990): 566-573. For the Land Bank controversy as the origins of the American Revolution, see T. H. Breen and Timothy Hall, “Structuring Provincial Imagination: The Rhetoric and Experience of Social Change in Eighteenth-Century New England,” *The American Historical Review* 103, no. 5 (1998): 1411-39. Other scholars have interpreted

Massachusetts legislature invited proposals for a privately-issued currency to replace the bills of credit that were due to expire soon. It was clear by now that colonists lacked faith in the province's new specie-based monetary system. From 1739 to 1741, colonists fought over two proposals, one for a Land Bank and the other for a Silver Bank. John Colman submitted his proposal for a land bank that December. The Land Bank would be capitalized at £600,000 Old Tenor, secured by land mortgages and run by private citizens. Bank bills would be loaned for twenty years at three percent interest to colonists pledging land as collateral. The proposal was nearly identical to Colman's land bank schemes of 1714 and 1720.<sup>24</sup> On the other side of the controversy, Thomas Hutchinson's cousin Edward and a hundred other proponents of a specie-based currency countered with their own proposal for a private silver bank the following year. The Silver Bank would issue £120,000 Old Tenor, secured by silver and redeemable for specie in fifteen years.<sup>25</sup>

Against the advice of Governor Belcher and the council, both banks opened for business during the summer of 1740, provoking a swift and punitive response from the British government and ultimately costing Belcher his job. Under the control of the legislature, the wildly popular Land Bank, boasting 1,253 subscribers, turned colonial politics into what one historian has described as "guerilla warfare" between the legislature and council. Parliament intervened after the Land Bankers swept the

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the Land Bank controversy as a case study in class conflict. See John C. Miller, "Religion, Finance and Democracy in Massachusetts," *The New England Quarterly* 6, no. 1 (1933): 29-58.

<sup>24</sup> Andrew McFarland Davis, ed., "Papers Relating to the Land Bank of 1740," *Collections of The Colonial Society of Massachusetts* 4 (1910): 127-130, 135-142, 165-194.

<sup>25</sup> McFarland Davis, "Papers Relating to the Land Bank of 1740," 147-154, 195-200.

provincial elections of 1741, ordering Belcher's dismissal and banning private companies from issuing paper money in the colonies altogether.<sup>26</sup>

Governor William Shirley (1741-49) had been in office for only two years when the threat of war forced Parliament to postpone indefinitely its plan to ban the colonial currencies. From the start, the new governor was eager to follow the Board of Trade's instructions regarding Massachusetts. In an October of 1741 letter, Shirley assured the British merchants trading to New England "that the Province bills shall never be made a [legal] Tender, whilst I am in the Chair, without securing the full Value of every man's debt to them."<sup>27</sup> The following March, Shirley forwarded his own "proposals for a Parliamentary Regulation" of paper money to John Thomlinson.<sup>28</sup> By November of 1743, however, fears "of a Speedy Rupture between the Crowns of Great Britain and France" had gripped New England, prompting the assembly to pass a supply bill providing the frontier towns with extra funds for military protection. A committee was appointed to travel to the towns to oversee the construction of fortifications and report back to Shirley, "[taking] care to purchase the proper materials and agree with the Workmen in the best & Cheapest manner and take Receipts for every particular sum you lay out in this Service."<sup>29</sup>

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<sup>26</sup> Gary B. Nash, *Urban Crucible: Social Change, Political Consciousness, and the Origins of the American Revolution* (Cambridge, MA: Harvard University Press, 1979), 138-140, 213-214; Pencak, *War, Politics, & Revolution*, 103-105, 118.

<sup>27</sup> William Shirley to Charles Apthorpe, October 17, 1741, William Shirley Papers, 1731-1762, folder 1, MHS.

<sup>28</sup> William Shirley to John Thomlinson, March 22, 1742, William Shirley Papers, 1731-1762, folder 1, MHS.

<sup>29</sup> Massachusetts House of Representatives, Vote to supply the frontier towns with money for military protection, November 11, 1743, William Shirley Papers, 1731-1762, folder 2,

How would Massachusetts pay its creditors, if not with paper money secured by future taxes? Shirley had anticipated supplying the treasury by ordering additional taxes on colonists while the war was still going on—a radical reversal of colonial paper money policy. The prospect encouraged one group of constituents to remind their representatives of how wars *should* be waged in Massachusetts. Since taxes to redeem old paper money were already scheduled for the next two years, members of the Boston Town Meeting instructed their assemblymen, it would be “Oppressive...to Increase the Burden...by laying Any of the Extraordinary Charge of the War On those Two years.” Instead, the General Court should consider “laying the funds on some future unencumbered years,” as it had done during previous wars. This way, “the Great & Expensive Charge of War may be defrayed & paid in the Days of peace when the people are at leisure to Till the Ground...and not make Grim & Savage War look yet more Terrible.” The constituents admitted the colony’s old mistake of postponing taxes to keep paper money in circulation, but insisted that “we had not then the Experience we now have of the Nature & Operation of Bills of Credit.” While “there have been some abuses of our Liberties & Privileges,” they concluded, that does not mean they should now “give them all up.”<sup>30</sup>

The demands of King George’s War (1744-48) drove Massachusetts to create a “Second New Tenor” of paper money redeemable for silver in the future, issued and reissued nineteen times between 1744 and 1749. By 1748, wartime paper money issues

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MHS; William Shirley to John Stoddard, Oliver Partidge, Thomas Ingersol, John Leonard, and Thomas Jones, November 30, 1743, William Shirley Papers, 1731-1762, folder 2, MHS.

<sup>30</sup> Instructions to the Representatives of Boston elected to the General Court, Thomas Cushing, Timothy Prout, Thomas Hutchinson, and Andrew Oliver, September 25, 1744, Miscellaneous Manuscripts, MHS.

had increased the value of outstanding bills to £2,135,300 Old Tenor, with taxes to retire the bills scheduled through 1760. The wartime expansion of paper money may have relieved the Massachusetts economy by temporarily increasing wages and lifting the poorest colonists out of destitution, but high prices, stagnant wages, and heavy taxes returned when the war ended. These problems were compounded by a scarcity of money, which worsened as the legislature resumed the process of retiring its paper bills from circulation via taxation.<sup>31</sup>

Rather than accompany these taxes with new emissions of paper money backed by additional tax levies, as the colony had done for decades following Queen Anne's War, Massachusetts prepared to retire all of its old paper money for good. By 1747, the colony had been informed that it would receive a royal bounty of £183,649 sterling from Britain in return for capturing Fort Louisbourg from the French. That silver was to provide the grounds of value for the new specie-based monetary system, thereby fulfilling the promise inscribed on the face of the colony's New Tenor (and Second New Tenor) bills of credit. The bounty arrived in Boston in September 1749 and the General Court passed legislation to exchange the silver for all outstanding bills of credit by March of 1750. Thereafter, the par of exchange would be 6 shillings in the new "Lawful Money" of the colony to one Spanish dollar.

How Massachusetts applied the bounty caused a small controversy, with proponents of paper money claiming that the colonial government's plan to offer sterling in exchange for outstanding bills of credit was part of a larger scheme to benefit wealthy

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<sup>31</sup> Nash, *Urban Crucible*, 165-173, 197.

merchants. If the sterling were to be offered in exchange for New Tenor bills, commentators pointed out, then virtually all of it would go to the merchants. Since before the 1745 Louisbourg expedition, one essayist explained, merchants had conspired to “*have no Money amongst us,*” selling military supplies and services at “a most exorbitant astonishing Price.” These merchants, another writer criticized, had complained “about *the Badness of the Money*” while at the same time demanding it in payments and then “hoarding of it up to make it scarce...in order soon to have *them* all redeemed for *Silver Money*.” It was suspected that the merchants would then use the sterling to pay off their debts in Britain and import unnecessary consumer goods, leaving the colony once again without a local medium of exchange.<sup>32</sup>

Other colonists lauded the colonial government’s decision to exchange the sterling for outstanding paper currency. It would be a good thing, a supporter of paper money’s swift redemption suggested, “to restore the Trade to the State it was in before the Paper Currency commenced...so that Fraud, Injustice, and Oppression, which for thirty Years past have reigned triumphant among us, may be banished for ever.” Another commentator applauded the colonial assembly for using the “Parliamentary Grant...to call in our bad Paper Currency” and urged the government to put sumptuary laws in its place! Responses to Massachusetts’s currency reform reflected a fundamental divide in early America between competing visions of value and authority; if proponents of paper

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<sup>32</sup> *A copy of a letter from Quebeck in Canada, to a pr--e m--r in France, dated October 11, 1747* ([Philadelphia], [1747?]), 3; Mylo Freeman, *A Word in Season to All True Lovers of their Liberty and their Country* (Boston, 1748), in Andrew McFarland Davis, ed., *Colonial Currency Reprints, 1680-1751*, 4 vols. (Boston: Prince Society, 1911), 4:358-9 (hereafter *CCR*); Vincent Centinel, *Massachusetts in Agony* (Boston, 1750), in *CCR*, 4:439.

money envisioned life before bills of credit as ancient history, then supporters of a specie-based medium longed for a return to the traditional order of things as it should be.<sup>33</sup>

Massachusetts's new monetary system transformed the provincial political community. Paper money's supporters questioned the colonial legislature's judgment not to use the royal bounty to establish a permanent silver fund "to be managed for the Good of the community."<sup>34</sup> Just as important, the new system undercut the colonial government's ability to alter paper money's local value. On the contrary, the Lawful Money of Massachusetts was fixed to silver and passed at a rate of 6 shillings to one Spanish dollar. While the old province bills continued to circulate as a medium of exchange, colonists using Old Tenor to make payments after March of 1750 now had to consult one of the many printed tables "Shewing the Value of *Old Tenor* Bills" in order to determine how much their old bills were now worth in "*Lawful Money*".<sup>35</sup> Six decades

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<sup>33</sup> *A Brief Account of the Rise, Progress, and Present State of the Paper Currency of New-England* (Boston, 1749), in *CCR*, 4:391; *Some Observations Relating to the Present Circumstances of the Province of the Massachusetts-Bay* (Boston, 1750), in *CCR*, 4:412-423.

<sup>34</sup> Freeman, *A Word in Season*, 367.

<sup>35</sup> *A Table Shewing the Value of Old Tenor Bills: in Lawful Money, to the 15<sup>th</sup> part of a farthing, from one penny to £10,000* (Boston, 1750); *An Exact table to bring old tenor into lawful money* (Boston, 1750); *A Table, shewing how provisions ought to be sold when the dollars pass for six shillings a-piece, as they must do, according to the act of the General Court* (Boston, 1750); *A Table for ready turning any old tenor sum into lawful money, at the rate of 6s. per piece of eight* (Boston, 1750); *Exact tables of the value of gold and silver, from one grain to one ounce, in lawful money and old tenor* (Boston, 1756).

after Massachusetts first issued bills of credit, “Mr. Old Tenor” became the British government’s financial reform efforts’ first casualty.<sup>36</sup>

The Currency Act of 1751 culminated monetary reform in Massachusetts. More importantly, it shifted the balance of power over imperial financial matters from the crown to Parliament. Actual monetary reform in New England thus depended on British intervention. First and foremost, the Currency Act of 1751 prevented Rhode Island, Connecticut, Massachusetts, and New Hampshire from creating new bills of credit secured by taxes or mortgages beyond what was necessary for “Emergencies of Government.” It banned the New England colonies from postponing the redemption of outstanding bills of credit and from reissuing old paper money. Finally, all future issues would only be legal tender in public payments, meaning that colonists could continue to use paper money to pay their taxes, but creditors could not be forced to accept discounted bills at face value. While far from banning paper money altogether, the Currency Act of 1751 set the precedent for Parliament to enact currency regulation throughout the colonies.<sup>37</sup>

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Proposals for regulating colonial money and value were not restricted to the House of Commons but became part of a wider imperial reform movement that gained

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<sup>36</sup> Joseph Green, *A mournful lamentation for the sad and deplorable death of Mr. Old Tenor, a native of New-England, who, after a long confinement, by a deep and mortal wound which he received above twelve months before, expired on the 31<sup>st</sup> of March, 1750* (Boston, 1750).

<sup>37</sup> Ernst, *Money and Politics in America*, 39-41; *An Act to regulate and restrain paper bills of credit in His Majesty’s colonies or plantations of Rhode Island, and Providence plantations, Connecticut, the Massachusetts Bay, and New Hampshire in America; and to prevent the same being legal tenders in payments of money* (London, 1751).

traction in the 1750s after the French and Indian War broke out between Britain and France. Troubled by a lack of inter-colonial cooperation during King George's War, reformers in Britain and North America proffered ideas for unifying disparate colonial military operations, enforcing a single standard of monetary value across the English Atlantic world, and streamlining the British empire's administrative structure. Many believed that the only way forward was to transform the empire's institutional structure so as to bring Britain's far-flung dominions under a more uniform military and financial framework.<sup>38</sup>

Mid-eighteenth-century imperial reformers anticipated the financial problems that ultimately arose from the French and Indian War. Previous historians have illustrated how the end of the conflict caused a gradual breakdown in relations between the colonies and Britain. Despite gaining world superpower status, Britain faced uncertainty over the stability and viability of its overextended empire. The government had to administer French Canada without offending the English Protestants further south, negotiate with former Indian enemies while protecting them from white settlers, and manage the national debt crisis that had been triggered by the global conflict. Its efforts to accomplish these things were highly unpopular with North American colonists.<sup>39</sup>

Britain's financial issues placed the need for revenue at the center of its efforts to rationalize the empire after 1763, but it was unclear what role regulating the colonial currencies should play in this. One idea the British ministry considered early on

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<sup>38</sup> Brendan McConville, *The King's Three Faces: The Rise and Fall of Royal America, 1688-1776* (Chapel Hill: University of North Carolina Press, 2006), 221-245.

<sup>39</sup> See Jeremy Black, *Crisis of Empire: Britain and America in the Eighteenth Century* (London: Continuum, 2008).

combined monetary reform with a stamp tax. The London merchant and colonial land speculator Henry McCulloh offered a plan that built on the colonies' existing currency system while creating new revenue streams for the crown. McCulloh proposed creating continental "Bills of Union" controlled by royal officials and backed by money raised from a sterling poll tax on all colonists, new duties on rum and molasses, and a stamp tax. The revenue would be used to "incorporate a Bank at London" that would raise additional capital through private subscriptions and lend money to colonial legislatures.<sup>40</sup> While the ministry ultimately adopted McCulloh's proposal for a stamp tax, it discarded the parts of his plan that called for establishing a continental currency. Instead, now under pressure from London merchants trading to Virginia to extend currency regulations to the rest of the colonies, Parliament passed the Currency Act of 1764.<sup>41</sup>

Together, the Currency Act of 1764 and the Stamp Act of 1765 (and, to a lesser extent, the Revenue Act of 1764) represented an austere vision of the imperial political economy that contrasted sharply with colonial ideas and practices. While the Currency Act placed no restrictions on the quantity of bills of credit that colonial legislatures outside New England could issue each year, it prohibited all future emissions from being legal tender in both private and public payments. Postponing the redemption of outstanding bills and reissuing old paper money were also banned, although existing legal tender bills of credit could continue to circulate as legal tender until retired. Finally, any

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<sup>40</sup> Henry McCulloh, *Proposals for uniting the English colonies on the continent of America so as to enable them to act with force and vigour against their enemies* (London, 1757), 22-25.

<sup>41</sup> For a detailed discussion of London merchants' demands for the protection of their debts payable in paper money in Virginia amidst rising sterling exchange rates, see Ernst, *Money and Politics in America*, 51-77.

governor who assented to legislation contrary to the Currency Act would be dismissed and fined £1,000. The Currency Act was not a revenue raising measure, but supporters of it believed that protecting British merchants' colonial debts was the first step toward imperial financial reform.<sup>42</sup>

Meanwhile, the Stamp Act taxed local legal and economic institutions that secured property rights, promoted economic growth, and communicated information about market conditions and legal proceedings. If enforced, the Stamp Act would tax legal documents, credit instruments, newspapers, and more. In doing so, it would charge colonists for the local economic and legal activities that supported and sustained provincial political communities. The relatively low costs of securing land deeds and mortgages, surveying and transferring property, and enforcing debt obligations would all go up. By imposing taxes on internal economic and legal activities, as well as information, the Stamp Act aimed to restrain such activities while increasing crown revenues independent of colonial legislatures. Proponents of the Stamp Act also believed that the tax would act as a check on "idleness" and "luxury" in the colonies by discouraging litigation, land speculation, and the liberal extension of credit, while at the same time reinforcing the royal prerogative in North America. The Stamp Act was thus not simply "Taxation without Representation," but an attempt to reform the empire's

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<sup>42</sup> *An Act to Prevent Paper Bills of Credit: hereafter to be issued in any of His Majesty's colonies or plantations in America, from being declared to be a legal tender in payments of money; and to prevent the legal tender of such bills as are now subsisting, from being prolonged beyond the Periods limited for calling in and sinking the same.* (London, 1764), 472-474.

institutional structure in a lopsided manner that benefitted the metropole at colonists' expense.<sup>43</sup>

It soon became apparent that the implications of the Currency Act would render the Stamp Act untenable. As colonial legislatures initiated the process of redeeming their wartime bills of credit via taxation, access to legal tender paper money constricted, demand for silver rose, and interest rates went up. The financial crisis in Britain led British merchants to stop extending credit to the colonies and to begin calling in their debts, leaving colonists with no choice but to pay them with what little sterling they had. The colonies therefore lacked the specie needed to pay the stamp tax on top of private debts. Meanwhile, the contraction of local currencies crippled internal exchange and provincial government finances. In light of the Currency Act, the Stamp Act posed a practical crisis as much as a constitutional one.

Benjamin Franklin kept these factors in mind when he arrived in London with other colonial agents to lobby for the repeal of the Currency Act and to prevent the passage of the proposed Stamp Act.<sup>44</sup> While Franklin was sent to represent Pennsylvania's interests, the plan that he presented to the ministry in early 1765 resembled McCulloch's earlier proposal. Franklin's "Scheme for Supplying the Colonies with a Paper Currency" called for issuing a single legal tender currency on loan, printed in London, secured with "Credit...raised with the Bank of England," and pegged to silver

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<sup>43</sup> Justin DuRivage and Claire Priest, "The Stamp Act and the Political Origins of American Legal and Economic Institutions," *Southern California Law Review* 88, no. 4 (2014-15): 875-912.

<sup>44</sup> John Dickinson and Others, Protest against the Appointment of Benjamin Franklin as Agent, October 26, 1764, in Barbara Oberg, ed., *The Papers of Benjamin Franklin* (The Packard Humanities Institute, 2017), 11:48, <http://franklinpapers.org>.

“at a fixed Rate of Exchange” of £133 provincial money to £100 sterling. The bills would be issued to colonists on ten-year mortgages through provincial loan offices, but readily receivable for “Drafts on the Bank [of England].” Most importantly, interest from the loan would “arise to the Crown...as a general Tax on the Colonies.” Knowing the ministry would refuse to repeal the Currency Act *and* stop the passage of the Stamp Act without another revenue-raising measure in place, Franklin had devised a plan that would provide colonists with a legal tender currency and Parliament with colonial revenue. When news of Franklin’s “Scheme” eventually made its way back to the colonies, it would not be warmly received.<sup>45</sup>

Franklin’s plan for an imperial tax was forgotten, however, when British merchants and colonial agents joined forces to protest the Currency Act following the repeal of the Stamp Act in March of 1766. Most British merchants had long recognized that colonists needed a local medium of exchange to purchase consumer goods from provincial importers and retailers. As petitions from colonial legislatures demanding a repeal of the Currency Act began arriving in London, the merchants and agents leading the repeal movement called for an outright repudiation of the act and a return to the old practices of paper money regimes; all they requested was that paper money not be legal tender in the payment of British debts contracted in sterling. By early 1767, the merchants and agents were optimistic. While the Board of Trade thought otherwise, at least the new chancellor of the Exchequer, Charles Townshend, was not opposed to

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<sup>45</sup> Benjamin Franklin to [Thomas Pownall], [February 11-12? 1765], in *Papers of Benjamin Franklin*, 12:47; Franklin, “Scheme for Supplying the Colonies with a Paper Currency,” [February 11-12? 1765], in *Papers of Benjamin Franklin*, 12:47.

repealing the Currency Act, and eventually Franklin was called upon to help draft the repeal bill.<sup>46</sup>

Franklin's public views on paper money underwent a radical transformation between 1765, when he proposed a continental currency with interest going to the crown, and 1767, when he upheld the colonies' right to make their bills of credit legal tender. Franklin's initial views reflected his interest as an imperial reformer. Immediately following the Currency Act's passage, Franklin confessed privately that he did not foresee "much Inconvenience from that Currency's being no legal Tender." Simply making bills of credit bear interest, Franklin suggested at the time, would give them value in exchange. In his prognosis, however, Franklin did not consider other colonies' failed efforts at circulating interest-bearing paper money, which tended to be hoarded rather than circulated, and when he proposed the idea to the Pennsylvania legislature in early 1764, it was rejected. It seemed "very strange to an Assembly," Franklin recounted, "to pay Interest on Paper Money, who had been used to receive Interest for Paper that cost them nothing."<sup>47</sup>

By 1767, Franklin's views on paper money were more indicative of popular opinion. In an essay entitled "The Legal Tender of Paper Money in America," Franklin came out strongly in favor of colonial legislative prerogative over money matters. Far from being dispensable, legal tender laws had become increasingly necessary over the last several decades to enforce paper money's face value. Because bills of credit "must

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<sup>46</sup> Ernst, *Money and Politics in America*, 106-118.

<sup>47</sup> Benjamin Franklin to Richard Jackson, June 25, 1764, in *Papers of Benjamin Franklin*, 11:234.

suffer a Discount in Proportion” to their redemption periods, longer redemption periods required provisions that bridged the gap between paper money’s discounted exchange value and its face value. “No Method has been found to give any Degree of fixed, steady, uniform Value to Bills of Credit in America but the making them a legal Tender in all Payments,” Franklin asserted. Without it, the colonies would be hindered not only from trading with British merchants but also from “granting Aids to the Crown.” Lacking a local legal tender medium of exchange, colonists would keep the specie they acquired through their trade with the West Indies and southern Europe rather than remit it to Britain. The solution, Franklin concluded, was to completely repeal “the Act that forbids that Tender.”<sup>48</sup>

In a strange twist of fate, it was Franklin’s earlier scheme for an imperial currency that suddenly killed the Currency Act repeal movement. It happened sometime before Parliament passed the Townshend Acts of 1767. That spring, Charles Townshend was making a “very fine” speech to the House of Commons on “his proposed American revenue” when the former Prime Minister, George Grenville, interrupted the Chancellor of the Exchequer by standing up and “slight[ing] these Duties as Trifles...I’ll tell the honorable Gentleman of a Revenue what will produce something valuable in America,” Grenville declared; “Make Paper Money for the Colonies, issue it upon Loan there; take the Interest and apply it as you think proper.” Townshend, noticing “the House listened to this and seemed to like it,” responded that he was about to propose something similar,

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<sup>48</sup> Benjamin Franklin, “The Legal Tender of Paper Money in America,” February 13, 1767, in *Papers of Benjamin Franklin*, 14:32.

and accused Grenville of stealing his idea!<sup>49</sup> The incident “startled all our Friends,” Franklin wrote home afterwards, who decided to “keep back their Petition” to repeal the Currency Act, should they be blamed for opening the door “for an Act that must have been disagreeable to the Colonies.” Franklin, who had admittedly shared his plan for a continental currency with Grenville in 1765, conceded that “there was now no going on with our Scheme against [Townshend’s] Declaration.” As antagonism toward the colonies in the House of Commons grew throughout 1767, he doubted anything more could be done.<sup>50</sup>

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In the standard “Whig” narrative of American Independence, the Stamp Act caused a constitutional crisis leading to resistance and ultimately Revolution. According to this interpretation, the central controversy of the imperial crisis was “taxation without representation.” Colonists believed that Parliament could collect external taxes from them, but lacked the prerogative to levy internal taxes; the Stamp Act was illegal because it constituted the latter.<sup>51</sup> The colonists ultimately responded to this conspiracy of power against liberty with a revolutionary ideology justifying rebellion.<sup>52</sup>

Historians’ emphasis on this version of events, narrowly focused on the Stamp Act, has obscured the significance of the Currency Act of 1764. Taken together, the

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<sup>49</sup> William Strahan to David Hall, May 16, 1767, William Strahan Letters, Historical Society of Pennsylvania (hereafter HSP).

<sup>50</sup> Benjamin Franklin to Joseph Galloway, June 13, 1767, *Papers of Benjamin Franklin*, 14:180.

<sup>51</sup> For the classic Whig interpretation of the Stamp Act, see Edmund Morgan and Helen Morgan, *The Stamp Act Crisis* (Chapel Hill: University of North Carolina Press, 1953).

<sup>52</sup> See Bernard Bailyn, *The Ideological Origins of the American Revolution* (Cambridge, MA: Belknap Press of Harvard University Press, 1992).

Currency Act and the Stamp Act represented an affront to colonial paper money regimes' dual prerogative to make money and levy taxes that supported and sustained the provincial political community. These interventions, along with Britain's efforts to regulate colonial exchange rates with sterling and to return the colonies to a specie monetary standard, exposed a fundamental divide between the provincial political community and the British empire that made the imperial crisis hard to resolve.

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**CURRICULUM VITAE**





