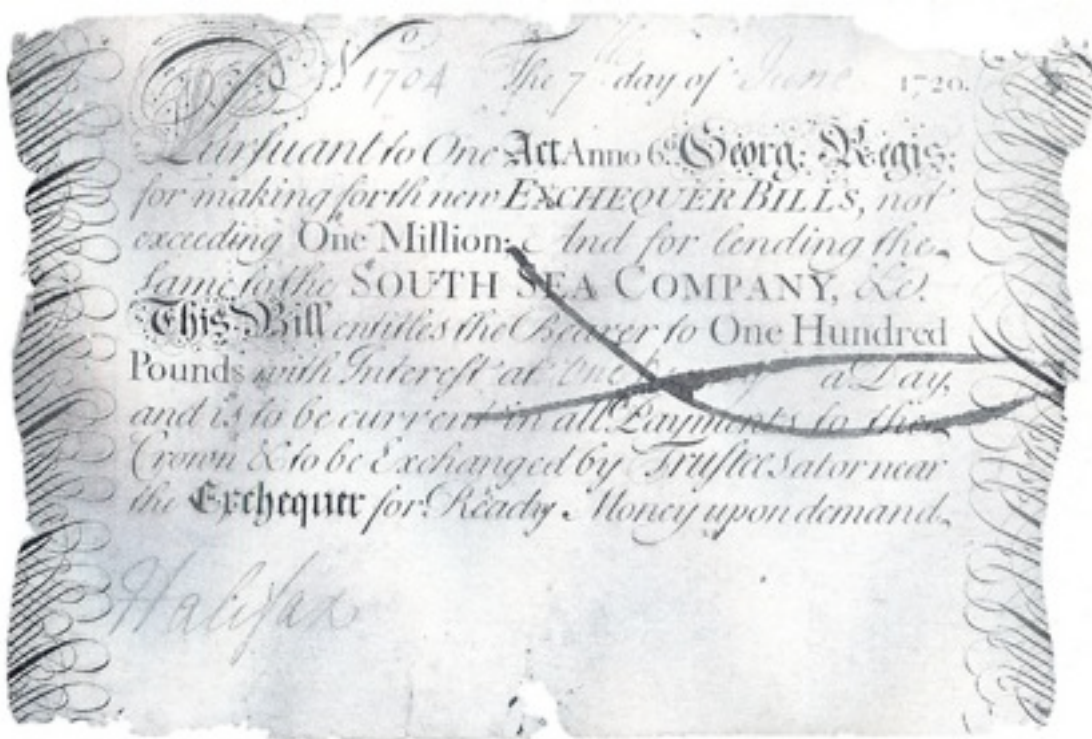


Money Revolution and Art

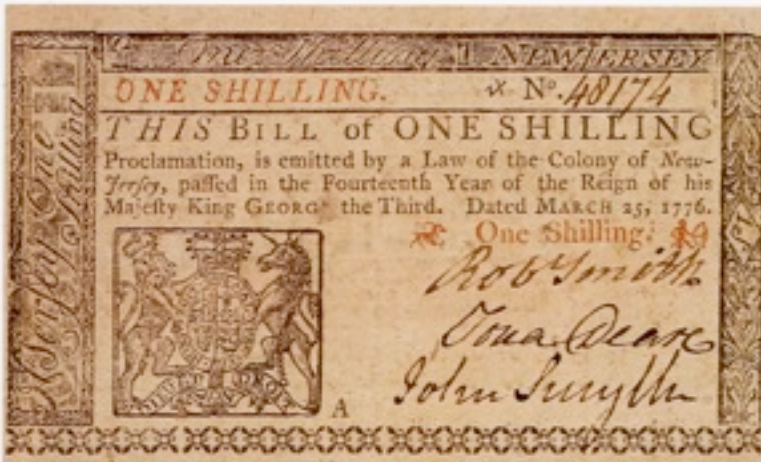


English Bank Note, 1704

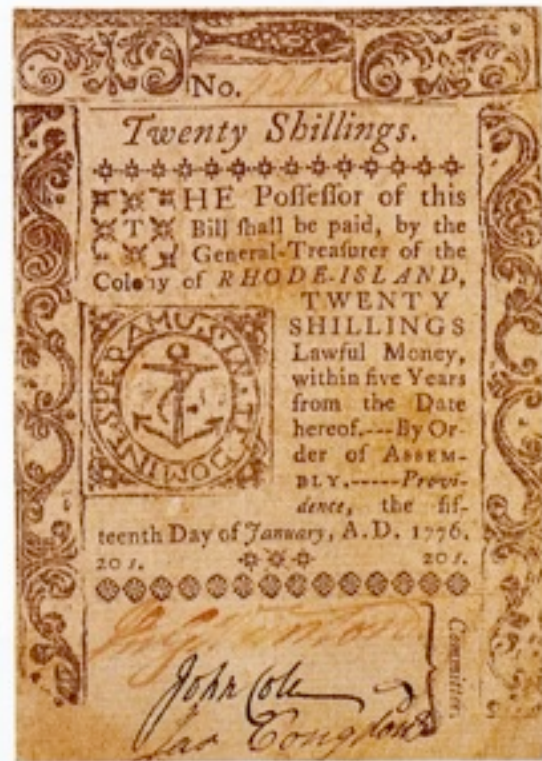
New York



New Jersey



Pennsylvania



Rhode Island

- The Currency Act of 1764 prohibited the American colonies from issuing paper currency.
- On August 6, 1776, the Continental Congress appointed Michael Hillegas as the sole Continental Treasurer. He served the new nation as Treasurer for 13 years until September 11, 1789.

- During the Revolutionary War, the United States needed to safeguard its currency and to prevent counterfeiting. The new government tried to stay ahead of counterfeiters by creating designs of greater and greater detail for the borders of the bills.
- Another security measure was to “indent” the money - or cut a stub from the bill in a wavy line. The bill could be redeemed for coins at a government office if it fit the stub bearing the same number.
- Benjamin Franklin came up with several simple but ingenious methods to slow down counterfeiters. On one design for a bank note, he deliberately misspelled the name "Philadelphia." But his most original idea was to create a print of a leaf design on the currency. The detail of the leaf's pattern was impossible to duplicate because no two leaves are ever exactly alike in design.

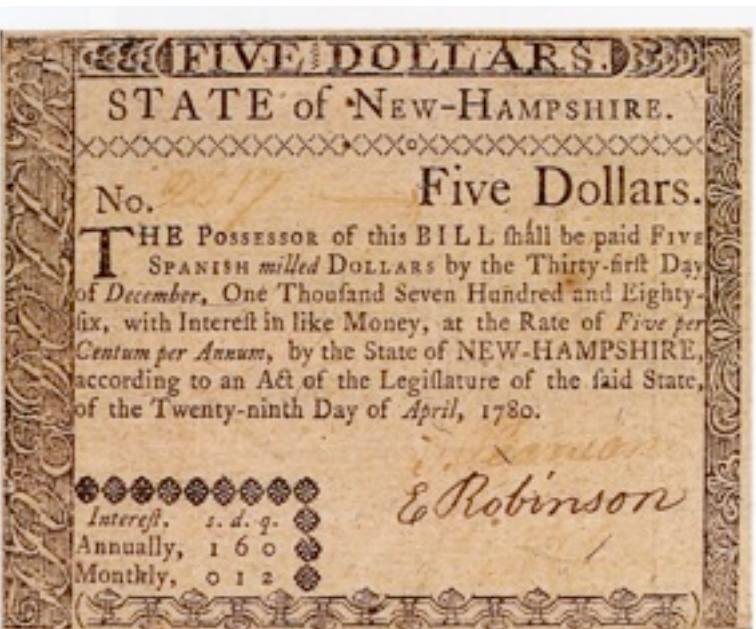
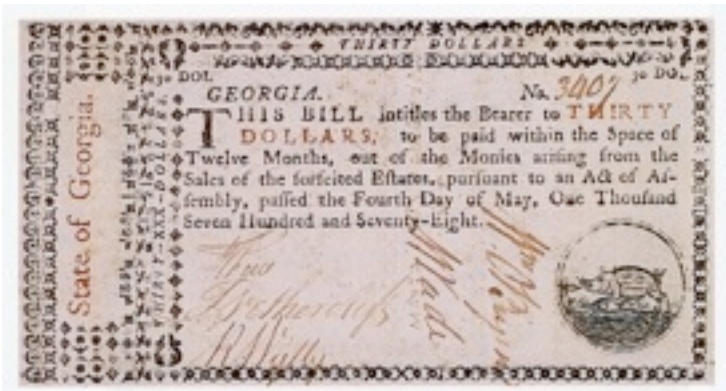
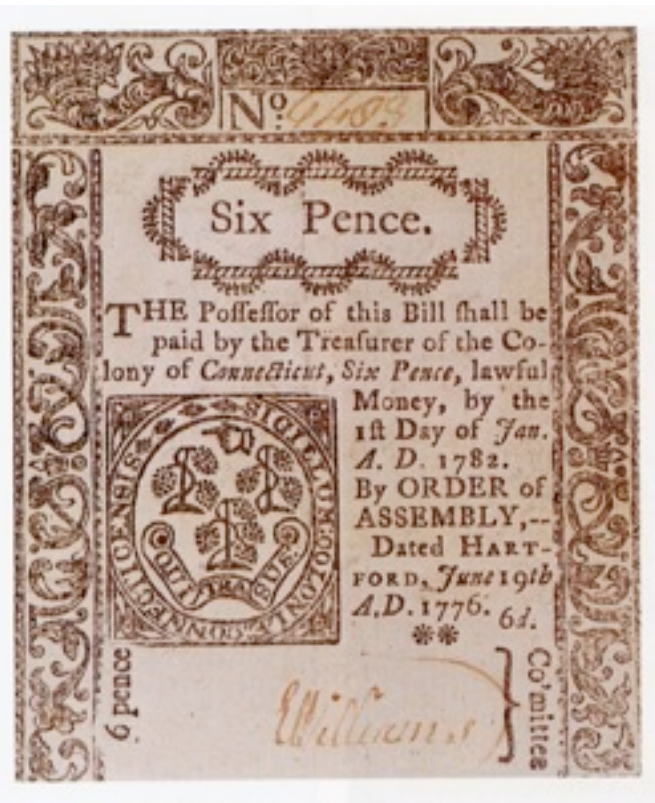
South Carolina



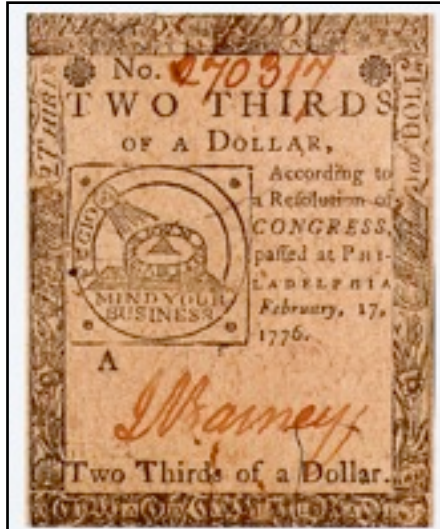
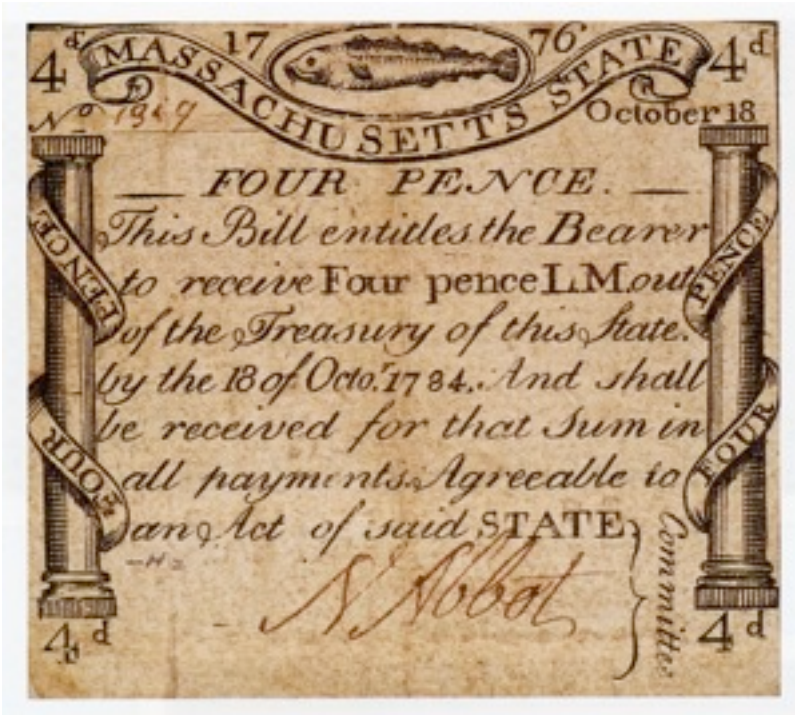
Virginia

North Carolina





- The units of account in colonial times were pounds, shillings, and pence (1 pound = 20 shillings, 1 shilling = 12 pence), but the colonies eventually adopted the dollar.



Continental, February 17, 1776, front and back



- The name "Spanish dollar" was used for a Spanish coin, the peso, which was widely available in the thirteen colonies. The use of the Spanish dollar as legal tender for the early United States is the reason for the name of the nation's currency.

The colonies need money! You will print paper money to help pay the debts of the Colonies and help them fight against the tyranny of the King George! It is important that the money cannot be copied easily. To help with that, the money should include the following parts:

1. a detailed border
2. a symbol of the colony
3. the denomination or amount of the money
4. your signature on each bill

	Design	Craftsmanship
EE	The design is interesting and includes <i>all</i> the required parts. It also uses a lot of small, intricate details to prevent it from being copied. <input type="checkbox"/>	The prints looks very carefully made, there are almost no stray marks or smudges. The ink is not too thin or thick and the image is clear. <input type="checkbox"/>
ME	The design includes all the required parts. It uses some small, intricate details and looks interesting and hard to copy. <input type="checkbox"/>	The prints looks carefully made, there are few stray marks or smudges. The ink is sometimes thin or thick, but the image is mostly clear. <input type="checkbox"/>
PE	The design is missing a required part. It uses a few small, intricate details and looks good, but does not look difficult to copy. <input type="checkbox"/>	The prints do not look carefully made, there are some stray marks or smudges. The ink is often too thin or thick, and the image is unclear <input type="checkbox"/>
AC	The design is missing a required part. It has little small, intricate detail and would be quite easy to copy. <input type="checkbox"/>	The print is not carefully made, there are too many stray marks or smudges. The ink is too thin or thick, and the image is messy. <input type="checkbox"/>

All other decisions are yours to make! This is your chance to be creative. Try something unusual and push yourself to do something better than you thought you could.

Steps in the project:

1. Draw three different ideas for your bill.
2. Transfer one of the designs to your printmaking plate.
3. Carve your printmaking plate
4. Last you will have the opportunity to use the press and print your money.

Background Notes and General Information:

The units of account in colonial times were pounds, shillings, and pence (1£ = 20s., 1s. = 12d.). These pounds, shillings, and pence, however, were local units, such as New York money, Pennsylvania money, Massachusetts money, or South Carolina money and should not be confused with sterling. To do so is comparable to treating modern Canadian dollars and American dollars as interchangeable simply because they are both called "dollars." All the local currencies were less valuable than sterling.

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Author Newman, Eric P.

Title 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 ...

Racine, Wis. : Krause Pub., 1990.

The American Revolution and the War of 1812

When he was in London in 1766 Benjamin Franklin tried in vain to convince Parliament of the need for a general issue of colonial paper money, but to no avail. The constitutional struggle between Britain and the colonies over the right to issue paper money was a significant factor in provoking the American Revolution.

When the war broke out the monetary brakes were released completely and the revolution was financed overwhelmingly with an expansionary flood of paper money and so the American Congress financed its first war with hyperinflation. By the end of the war the Continentals had fallen to one-thousandth of their nominal value. Yet although the phrase not worth a Continental has subsequently symbolized utter worthlessness, in the perspective of economic history such notes should be counted as invaluable as being the only major practical means then available for financing the successful revolution.

During the Revolution the Bank of Pennsylvania was established (with the support of Thomas Paine) in June 1780 but it was little more than a temporary means of raising funds to pay for the desperate needs of a practically starving army. The Bank of North America was a more permanent institution, granted a charter by Congress (by a narrow margin of votes) in 1781 and beginning its operations in Pennsylvania on 1 January 1782. It was followed after the war by the Bank of New York and the Bank of Massachusetts, which both opened in 1784, and the Bank of Maryland in 1790.

The financial chaos of the aftermath of the revolution and outbreaks of violent conflict between debtors and creditors led to the establishment of the dollar as the new national currency replacing those of individual states. However, owing to shortages of gold and silver bullion and the rapid disappearance of coins from circulation legal tender was restored to Spanish dollars in 1797 and it was not until 1857 that the federal government felt able to repeal all former acts authorizing the currency of foreign gold or silver coins, but by then coins were merely the small change of commerce.

After the revolution one might have expected the newly independent Americans to have welcomed with enthusiasm their freedom to set up banks but in fact there was a great deal of opposition to banking in general. The first true American bank, the Bank of North America had its congressional charter repealed in 1785. The first national bank, the Bank of the United States, though a financial success, was forced to close when its charter was not renewed. As a result, when the 1812 War broke out there was no government bank to exert a restraining hand

on the commercial banks which issued far too many notes backed by far too little specie and the American financial scene reverted to its familiar inflationary pattern.

Money of the American Revolution

Even before the Revolutionary War broke out, there were precious few coins circulating in America. Also extremely scarce was gold and silver bullion. How then, could the Americans pay debts incurred from fighting a war?



This 1775 seven dollar note is typical of the paper money issued by the Continental Congress to pay for the costs of the American Revolution. Due to over-issue and lack of confidence in the government, the notes became nearly worthless. Eventually, Congress redeemed them at 1/100th of their original value in bonds, not maturing until 1811. (Image courtesy of EarlyAmerican.com).

The only feasible solution to raise money was for the Continental Congress to issue paper money. Beginning on May 10, 1775 paper money was released in a wide variety of denominations, ranging from one-sixth dollar to 85 dollars. The odd denominations would help make change, or so the thought went.

The Continental Currency notes were to be redeemable at a later date in Spanish milled dollars, also known as pillar dollars, or in some other precious metal specie.

At first, the public readily accepted the Continental Currency, helping the notes to hold their face value. But as the difficulty of defeating one of the best militaries in the world began to manifest itself, the worthiness of the notes started to plunge. After all, how securely could a neophyte government back the paper money it printed? To make matters worse, Congress over-issued the currency, far in excess of any potential metal reserves, while British counterfeiters further contributed to the inflationary spiral. By March 1779, Continental Currency was valued at a 10:1 ratio against the Spanish pillar dollar. By 1781, the ratio had fallen to 75:1. The expression "Not worth a Continental" became slang to refer to anything (including, we suppose, a person) having no redeeming value.



(Continental Dollar reproduction (c. 1960) in brass. The obverse shows the sun's rays striking a sundial. Obverse legend includes FUGIO (Latin for "I Fly") and MIND YOUR BUSINESS. Reverse has an endless chain, each link encircling the name of one of the colonies. Reverse legend states: AMERICAN CONGRESS: WE ARE ONE. Image courtesy of EarlyAmerican.com.)

The Continental Congress early on recognized the need for more coins. They planned to mint a Continental Dollar coin for symbolizing American sovereignty, to serve as backing for Continental Currency, and hopefully, to improve morale.

Pattern Continental Dollars made of brass, pewter, and silver were struck. Silver bullion from France, sufficient to produce large quantities of the Continental Dollars, was promised soon. Because Congress was so certain the introduction of the Continental Dollar would be a success, printing of one dollar notes was cancelled for 1776 and 1777. Unfortunately, the silver shipments never arrived, so very few Continental Dollars actually reached the general population.

The Continental Currency system was plagued by many shortcomings. It's a miracle the American patriots were able to finance an army at all during the Revolution. Nevertheless, Continental notes represented the first unified currency system to be established in America, leaving behind a fascinating legacy for today's historians. To learn more about the paper currency from colonial times to 1800, we suggest getting a copy of *Early Paper Money of America*. Wonderful pictures. Great descriptions. Good transcriptions of hard-to-read writing on the notes. Worth every penny!

<http://www.us-coin-values-advisor.com/the-american-revolution.html>

The Revolutionary War and the Destruction of the Continental

By Thomas Woods

Posted on 10/11/2006

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[This article is based on a talk given at the Mises Circle in Manhattan: The Fed and War Finance, September 16, 2006, available for audio download.]

Certain historical cases of inflation have become sufficiently notorious to become textbook examples of government printing presses run riot. In the twentieth century the classic episode was the German hyperinflation of 1923.

The eighteenth century affords us the cases of the American and French Revolutions, and the monetary debasement for which those countries' governments were responsible. In the American case, the continental currency lost so much of its value that it became common to describe something as worthless by saying it was "not worth a Continental."

Financing for the American War for Independence included loans and subsidies from the French government as well as the modest sums Congress received as a result of its requisitions upon the states. But paper money played a central role in Revolutionary War finance.

When Congress first began printing bills of credit (irredeemable paper money that would be received as payment for taxes) in 1775, the idea was that the states would levy taxes and collect the bills in payment of the taxes, thereby retiring them. Not only did the states not levy those taxes, but they also began printing paper money of their own. The result was that more and more paper continued to be printed, leading in turn to a level of depreciation that has become legendary.

When I was a boy, my mother found it endearing that whenever my parents would say they needed money for this or that, I would simply recommend that they go to the bank and get some. But something like that is not far removed from the actual views of a great many people of influence over the years.

A flabbergasted Pelatiah Webster, in his history of "Continental Money," tells us that when the subject of increased taxation for the support of the war was under consideration by the Continental Congress, a member arose and indignantly asked "if he was expected to help tax people, when they could go to the printing-office and get money by the cart load."

This paper money provoked all manner of economic chaos and dislocation. According to John Witherspoon, the New Jersey clergyman who signed the Declaration of Independence, "For two or three years we constantly saw and were informed of creditors running away from their debtors, and the debtors pursuing them in triumph, and paying them without mercy."

In Rhode Island, sources tell us of creditors "leaping from rear windows of their houses or hiding themselves in their attics" in order to avoid debtors. The most vulnerable in society also felt its effects, with widows and orphans finding the guardians of their trust funds paying them in currency that was worth but a fraction of its face value.

1775 Continental Currency

American colonists issued paper currency for the Continental Congress to finance the Revolutionary War. The notes were backed by the "anticipation" of tax revenues. Without solid backing and easily counterfeited, the notes quickly became devalued, giving rise to the phrase "not worth a Continental."

Pistole is the French name given to a Spanish gold coin in use from 1537; it was a double escudo, the gold unit. The name was also given to the Louis d'Or of Louis XIII of France, and to other European gold coins of about the value of the Spanish coin. One pistole was worth approximately ten livres.

The Spanish dollar and its fractional parts were, in McCusker's (1978, p. 7) words, "the premier coin of the Atlantic world in the seventeenth and eighteenth centuries." Well known and widely circulated throughout the world, its preeminence in colonial North America accounts for the fact that the United States uses dollars, rather than pounds, as its unit of account. The Spanish pistole was the Spanish gold coin most often encountered in America. While these coins were the most common, many others also circulated there (Solomon, 1976; McCusker, 1978, pp. 3-12).

Alongside the well-known gold and silver coins were various copper coins, most notably the English half-pence, that served as small change in the colonies. The pistareen, a small silver coin of base alloy, was also commonly used as change. 14

The name "Spanish dollar" was used for a Spanish coin, the peso, worth eight reals (hence the nickname "pieces of eight"), which was widely circulated during the 18th century in the Spanish colonies in the New World. The use of the Spanish dollar and the Maria Theresa thaler as legal tender for the early United States are the reasons for the name of the nation's currency. However, the word dollar was in use in the English language as slang or mis-pronunciation for the thaler for about 200 years before the American Revolution, with many quotes in the plays of Shakespeare referring to dollars as money. Spanish dollars were in circulation in the Thirteen Colonies that became the United States, and were legal tender in Virginia.

Michael Hillegas

- born in Philadelphia, Pennsylvania
- son of a well-to-do merchant involved in iron and sugar
- member of the Pennsylvania Provincial Assembly from 1765 to 1775.
- 1774 he became treasurer of the Committee of Safety under Benjamin Franklin
- treasurer of the Continental Congress, with another patriot, George Clymer
- from 1777, Hillegas continued as sole Treasurer of the United States and held that position throughout the remainder of the conflict of the American Revolution, using his own fortune to support the cause

<http://www.ustreas.gov/offices/treasurer/office-history.shtml>

Over the years the Office of the Treasurer has seen tremendous changes and reflected the often turbulent history of our nation. It is the only office in the Treasury Department that is older than the Department itself. Originally, the Continental Congress created joint treasurers of the United Colonies on July 29, 1775. At that time, the Continental Congress appointed Michael Hillegas and George Clymer to serve. They were instructed to reside in Philadelphia, which was the home of the Continental Congress. Their major responsibility was to raise money for the Revolutionary War. Unlike today's Treasurer, neither of their signatures appeared on the "continentals" as the paper money was then called.

On August 6, 1776, George Clymer resigned and the Continental Congress appointed Michael Hillegas as the sole Continental Treasurer. After the name of our nation was changed from the United Colonies to the United States, on September 9, 1776, Michael Hillegas continued as the Treasurer of the United States, although his title was not officially changed to reflect the new reality until March 1778. Treasurer Hillegas served the new nation until September 11, 1789 and was succeeded by Samuel Meredith who served until October 3, 1801 (for a complete list of U.S. Treasurers, please visit our index of Treasurers of the United States.). Both before and after the Revolutionary War, the United States recognized the need to safeguard the integrity of its currency and to prevent counterfeiting. Just as today, the new government realized that it needed to stay ahead of counterfeiters by employing technology to design bank notes. At that time, though, private printers produced the notes that were then issued to banks. Benjamin Franklin came up with several simple but ingenious methods to slow down counterfeiters. On one design for a bank note, he deliberately misspelled the name "Philadelphia." But his most original idea was to create a print of a leaf design on the currency. The intricacy of the leaf's pattern was impossible to duplicate because no two leaves are ever exactly alike in design. An example of the "leaf note" remains in the Smithsonian collection.

Table 2: Depreciation of Paper Currency (Paper Currency Required to Purchase \$1.00 Specie*)

	1777	1778	1779	1780	1781
January	1.25	4.00	8.00	42.50	100.00
April	2.00	6.00	16.00	60.00	167.50
July	3.00	4.00**	19.00	62.50	
October	3.00	5.00	30.00	77.50	

* Specie = Hard money or coins both gold and silver

**Reflects signing of the French Treaty.