

THE KING WAS IN HIS COUNTING HOUSE

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The King Was in His Counting House Counting Out His Money

As I work more and more in the colonial period, I realize that the King was probably the only one who could actually count his money because he was the only one who had any real currency to count.

CURRENCY

In the American colonies, money was English-based—pounds, shillings, and pence. In records, you may find entries written as £4.5.6 or 4 l-5s-6d for 4 pounds 5 shillings and 6 pence. There were 20 shillings in a pound and 12 pence in a shilling.

Throughout the entire colonial period, the American colonies were seriously short of currency. The colonial governments had bills to pay and no currency with which to pay them. Individuals had bills to pay and no currency with which to pay them.

If there was insufficient currency for routine business, what happened? Well, for one thing, it was routine (albeit not always allowed) to accept any kind of currency, and not just that of the other British colonies. You may see references to Dutch, French, and Spanish coins. The Spanish milled dollar and pieces of eight were especially popular.

Barter was common and payments of many kinds were routinely made in useful goods. The standard currency often was the primary local product. Thus, in Virginia we see tobacco as a standard medium of exchange and in New York we see beaver pelts. In places where there was a cash crop, the storekeepers often served as bank and bookkeeper, selling goods on credit and then taking payment in crops.

It wasn't practical to exchange bulky items such as tobacco and pelts, so a handier currency was needed. There was one already in circulation. In 1664, a tax was assessed to support the housing of the soldiers for the fort at New Amsterdam. The assessments were in Dutch florins, but the payments were to be "in such value as the zewant at present circulates between man and man, to wit:—eight white or four black beads for one stiver [1/20 of a florin]."

What is a *zewant* (also spelled *sewant*)? It is Indian *wampum*. The cylindrical beads were cut (the white from periwinkles, the dark purple from the northern quahog) at several Algonquian wampum factories on eastern Long Island—the first American mint!

In 1663 the earliest settlers of Harlem had signed a protest concerning the requirement that their land "should be paid in beavers, or their value." They "did not otherwise conceive but that the payment thereof was to be made in sewant currency, according to the customary usage. Had they understood differently, they would never have agreed, nor could have been persuaded, to burden themselves with

so hard an understanding." In other words, if they had known they were going to have to pay in beaver instead of wampum, they wouldn't have settled there!

GOVERNMENTS

As the need for circulating money—both coinage and paper—became more critical, the response was on a colony-by-colony basis, each issuing its own secured currency. You may have noticed phrases such as "current Virginia money" in deeds. Some colonies also issued unsecured bills of credit. The value of each colony's currency against the English pound—and against the currency of the other colonies—varied considerably. Paper currency was generally considered worth less than the equivalent in coinage. In 1764 the crown forbid the further printing of currency in the colonies.

Circumstances varied by colony. For example, by the late 1730s the situation in Massachusetts was nearing crisis. The government did not have enough assets to issue secured currency, it could issue no more than £30,000 in bills of credit, and outstanding bills had to be called in by 1742. Inflation was a problem. It was even suggested that new bills be valued at a different rate, hence the terms Old Tenor (OT) and New Tenor (NT) are seen in some financial documents of the times.

The Land Bank of 1740 was proposed as a solution, in which the circulating specie would be underwritten by the mortgages of the subscribers. One of my ancestors was among the 1,200 men, including many farmers, who were subscribers. As I studied this episode of history, I could understand their feeling of desperation as the lack of currency moved the rural economy toward gridlock. Support for the Land Bank was widespread, both geographically and socially. Parliament issued an act forbidding it, causing outrage in the colony. This action is considered a foreshadowing of the taxation-without-representation issue that ignited the American Revolution.

COUNTERFEITING

Counterfeiting was a serious problem with paper currency and bills. Coins were also counterfeited, but even more often they were "clipped" (a bit of the metal cut off the edge). Both offenses were harshly punished. You may find court records concerning counterfeiting or clipping (hopefully your ancestor is testifying as opposed to being charged).

INDIVIDUALS

Assets and cash are two different things, and individuals dealt with the currency shortage by operating on a system of barter and books. This isn't readily apparent to us as we see wills in which the children are each left five pounds or deeds in which land is sold for 200 pounds. We must sharpen our powers of observation to get a better

glimpse of the mechanics. Many fathers kept a book in which they recorded the money advanced to each of their children. A careful reading of a will may reveal a phrase such as “my book will shew what is coming to him.”

OUR CURRENT MONETARY SYSTEM

During the Revolutionary War and the following Confederation government, there continued to be a hodge-podge of bills, notes, and coinage. Eventually, Alexander Hamilton, who believed in a strong federal government, got approval of the federal Treasury and the Bank of the United States, which issued notes backed by gold.

One of the biggest problems continued to be a shortage of coins of small value for routine daily business. The first coins from the new Philadelphia mint were released in 1792.

From this basis developed our current monetary system.

WHAT IS IT WORTH?

At the Economic History Services website, you can ask for a conversion for dollars or pounds to modern dollars.