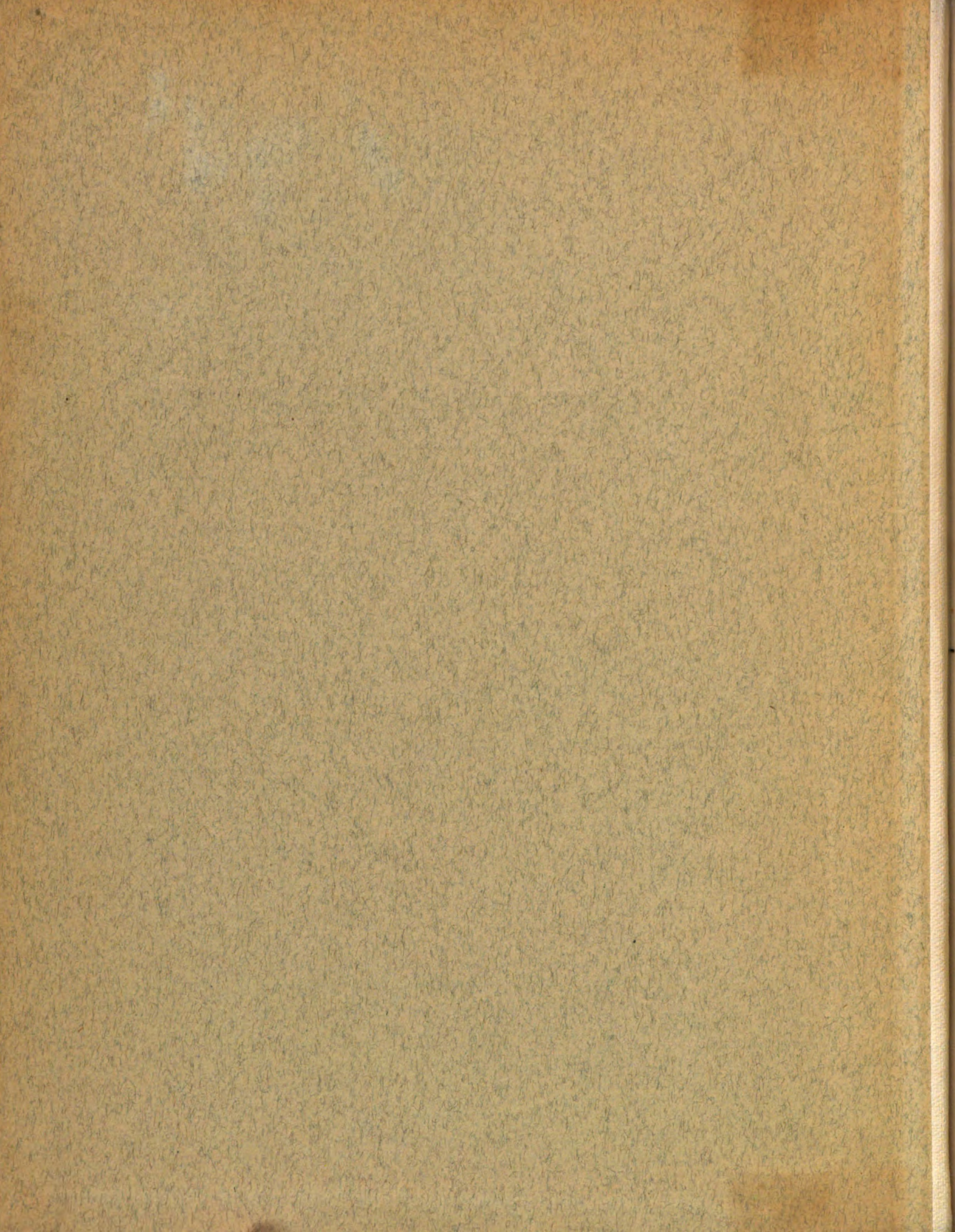


PAPER MONEY AND THE MASSACHUSETTS
LAND BANK, 1740

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Preface

The pre-revolutionary period is one of the most significant in American History. These were formative years of American thought that resulted in independence. Many years before the American Revolution the struggle between British officials and the colonial assembly engendered antagonism against the mother country that was to culminate in war. The colony was a dependent and debtor region that existed for the enrichment of the British Empire. Immigrants who came to the New World, an area of vast opportunities, to escape the difficulties and oppressions of the Old World found that British mercantilist policies restrained development.

One of the chief problems that confronted Massachusetts Bay was the economic control exercised by Great Britain. This control resulted in severe financial difficulties for the province. The colony, an undeveloped region, was a ready market for goods manufactured in England, but could not produce enough to pay for these imports. Thus the trade relationship was unfavorable to the colony and specie was drained to England to make up the difference between imports and exports. With only a small amount of specie brought into the colony through limited trade outside the Empire, the ultimate outcome was an extreme shortage of money. The roots of this problem can be traced to the early years of the colony.

Numerous efforts were made by the colonists to maintain

economic stability. Some of the methods used to overcome the shortage of money were the establishment of the mint, the prohibition of the exportation of specie, the revaluation of foreign coins, the use of produce as legal tender, the encouragement of manufactures, and the issuance of paper money.

British restrictions on the issuance of paper money led the colonists to attempt to supply a medium of exchange through some private means. The Assembly's request for schemes to emit paper money brought into prominence the idea of a bank based on land security. The Land Bank of 1740 was established as a means of stimulating local industry and averting the consequences of the money regulations imposed by England. Closing the Land Bank prematurely resulted in the first general questioning of parliament's supremacy by the colonists.

The story of paper money and the Land Bank is generally interpreted as a struggle between the have and have-nots or the rich merchant class and the debtor farmer class. When the issuance of money was prohibited by British restrictions, the debtor group resorted to the establishment of the Land Bank. The purpose of this study is to examine this interpretation in view of the evidence found in the sources.

The evidence for these conclusions was collected from British and colonial sources. State papers, journals, diaries, letters, contemporary pamphlets, and newspapers were used extensively. These sources show the circumstances

surrounding the monetary problem, and reveal the opinions of the important men of the period. In order to retain as much color and meaning as possible, all quotations are presented with the original spelling and punctuation.

Acknowledgment

The writer of this essay wishes to express his sincere appreciation for the helpful guidance and many constructive criticisms of Professors Robert Brown and Harry Brown. Special thanks are due to Mrs. Mician Waters Witscomb for permission to reproduce one of the few existing Ipswich Land Bank notes that appeared in her father's history of Ipswich. My wife, Ann, has assisted generously in proof-reading and typing the manuscript.

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I. The Early Monetary Problem

One of the pressing problems of colonial Massachusetts was the lack of an adequate medium of exchange to carry on the functions of government and society. Although this paper is primarily concerned with the problems of paper money and the Massachusetts Land Bank, a general review of the colony's early financial difficulties is a necessary preliminary to their consideration. The purpose of this chapter is to show the existence and causes of the specie shortage and the actions taken in an effort to overcome this deficiency.

The problem of a money supply developed soon after the settlement of the colony in 1630. Settlers of Massachusetts were not as fortunate as the Spanish who found precious metals in their part of the New World. The silver coins that circulated in the early days were principally donations received from friends in England.¹ Settlers from time to time brought small sums of money with them. Since the specie supply was limited, however

1. Letter from John White, November 16, 1635, Winthrop Papers, Collections of the Massachusetts Historical Society (5 Vols., Boston, 1893-1897), III, 291. Hereafter cited Winthrop Papers. John Winthrop, Winthrop's Journal: History of New England, 1629-1649 (Original Narratives of Early American History, ed. J. F. Parker [2 Vols., New York, 1907]), I, 112, 132. Hereafter cited Winthrop's Journal.

pelts, corn, and other commodities were common substitutes² as a medium of exchange in business transactions. The importance and need of specie were indicated by a General Court order in 1632 which declared "that noe planter within the lymitts of this jurisdiction returning for England, shall carry either money or beaver with him wth out leave from the Govnr, (for the time being,) under paine of forfeitinge the money or beaver so intended to be transported."³

However, increased business activity after 1640 manifested the lack of money to a greater degree. Although some Spanish coin was received through trade, the amount⁴ in circulation was relatively small. John Winthrop, the first governor of the Massachusetts Bay colony, explained one of the causes of the inadequate money supply and the use of commodities as a substitute for money.

This year [1640] there came over a great store of provisions, both out of England and Ireland, and but few passengers, (and those brought very little money,) which was occasioned by the store of money and quick markets, which the merchants found here the two or three years before, so as now all our money was drained from us, and cattle and all commodities grew very cheap, which enforced us at the next general court, in the 8th month, to make an order, that corn should pass in payments of new debts; Indian at 4s. the bushel; rye at 5s., and wheat at 6s.;

2. Nathaniel B. Shurtleff, ed., Records of the Governor and Colony of the Massachusetts Bay in New England (5 Vols., Boston, 1854), I, 93. Hereafter cited Records of the Colony. Letter from Thomas Cobbett, November 13, 1639, Winthrop Papers, IV, 114. The Records of the Town of Cambridge (formerly Newtowne), Massachusetts, 1630-1730 (Cambridge, Mass., 1901), 20. Hereafter cited Cambridge Town Records.

3. Records of the Colony, I, 93.

4. Ibid., I, 304; III, 92.

and that, upon all executions for former debts, the creditor might take what goods he pleased, (or, if he had no goods, then his lands,) to be appraised by three men, one chosen by the creditor, one by the debtor, and the third by the marshal. 5

Several years later John Winthrop showed the shortage of money and its relationship to the labor problem:

The wars in England kept servants from coming to us, so as those we had could not be hired, when their times were out, but upon unreasonable terms, and we found it very difficult to pay their wages to their content, (for money was very scarce). I may upon this occasion report a passage between one of Rowley and his servant. The master, being forced to sell a pair of his oxen to pay his servant his wages, told his servant he could keep him no longer, not knowing how to pay him the next year. The servant replied, you shall then serve me, and so you may have your cattle again. 6

The General Court approved of an attempt to establish an iron mine in 1645, but the government could not give the project the necessary financial aid due to the lack of funds in the treasury. 7 Richard Leader, the agent for the proposed iron works, presented a letter to the General Court in which he declared that "some men have here Spanish money sometimes, but little comes to our smiths hands, especially those of inland townes; & yourselves well know, yt so long as our ingate exceeds our outgate" money will be lacking for enterprise. 8

Government activities experienced a strain from the

5. Winthrop's Journal, II, 6. Records of the Colony, I, 303-304. William B. Edden, Economic and Social History of New England, 1600-1700 (2 Vols., Boston, 1900), I, 135-136.

6. Winthrop's Journal, II, 228.

7. Ibid., 222-223.

8. Records of the Colony, III, 92.

limited specie supply. Taxes were difficult to collect from the inhabitants. Therefore, the General Court expressed willingness to accept produce in payment of rates in 1640. Exchange values were set on commodities from time to time by the government.⁹ In 1676 the funds in the treasury were so exhausted that the government mortgaged the public lands to merchants to pay the expenses of an Indian war.¹⁰ A report submitted to the British government in 1678 denounced the belief that there was a great amount of money in the colonial treasury. The report stated that "the country is being most commonly indebted to the Treasurer and not the Treasurer to the country."¹¹ The Court in 1682 complained of the obstructions to trade and commerce caused by the scarcity of coin.¹²

Pamphleteers wrote about the financial troubles of Massachusetts. Reverend John Woodbridge of Newbury in 1682 related the distressed circumstances of the colony caused by the lack of an adequate medium of exchange.¹³ A pamphlet that appeared in 1688 expressed the need of money in the following passage:

9. Ibid., I, 303-304.

10. Ibid., V, 71.

11. A. H. Beinebury, J. M. Fortescue, and Cecil Headlam, eds., Calendar of State Papers, Colonial Series, America and West India 1574-1713 (25 Vols., London, 1860-1930), 1677-1680, 262. Hereafter cited Calendar of State Papers.

12. Records of the Colony, I, 304.

13. John Woodbridge, "Several Relating to the Fund Printed for Divers Reasons, as May Appear," Andrew B. Davis, ed., Colonial Currency Reprints (4 Vols., Boston, 1911), I, 109-113.

But it's evident (many New-England-men say) that we cannot hold out long under such pinching circumstances as we are reduced unto, for want of Money. We must therefore run the hazards; unless some expedient be suddenly applied: The Shop-keepers must break; and they'll break their Merchants; and they their Principals, &c. Is there any Remedy? 14

Captain John Blackwell reiterated that "Silver we have not enough in the Country to do which must be done, more ¹⁵ being usually exported than Imported."

There can be little doubt about the existence of a money shortage and its problems; however, an examination of the major causes will help to reveal the roots of the financial difficulties that plagued the colony. An unfavorable balance of trade and government expenditures stand out as the most prominent factors in decreasing the amount of money in circulation.

Merchantism, the economic theory prevalent among the European powers during the seventeenth and eighteenth centuries, was the basis upon which colonies were controlled and maintained for the benefit of the mother countries. American colonial dependence for manufactured products was perpetuated by England to the end that her exports would exceed the imports from the colonies and a substantial

14. "A Model for Erecting a Bank of Credit: with a Discourse in Explanation thereof. Adapted to the Use of any Trading Country, Where There is a Scarcity of Money; More Especially for His Majesties Plantations in America," 1711., 135.

15. John Blackwell, "Some Additional Considerations Addressed unto the Worshipful Elisha Hutchinson, Esq. By a Gentleman that had not seen the Forgoing Letter," 1711., 200.

supply of specie would flow into the national coffers.

In 1757 the following excerpt from a petition concerning the great advantages derived from the British plantations in America was read to parliament.

The manufactory of this nation exported, as also the sugars, etc., imported, brought in a great revenue unto his Majesty's customs; which was not easily very considerable in its self, in respect of other vast advantages which accrued thereby unto his Majesty and subjects in general, (viz.), the most part of the said sugars, etc., were hence shipped out again and exported into foreign countries, and by that means returned unto us large summes of money and commodities equivalent, for that upon the great wassel of trade of good and staple commodities are little inferior to, or less affected than ready bullion. 17

Hence, the colonies were largely responsible for enhancing the power, through money wealth, of the Kingdom.

Early in the seventeenth century observers reported to the British government the advantages that could be gained from the Massachusetts colony as a market and source of produce. The vast and valuable naval stores of the

province were recognized as early as 1632. In 1632
Archibald Menlerson, a British merchant, reported to his government the potential profits that could be made from commercial intercourse with the plantations. He asserted that customs duties should be imposed on New England foreign trade so that these commodities might be channeled

16. Curtis F. Nettels, The Sugar Supply of the American Colonies Before 1733 (Madison, Wisconsin, 1934), 13. Hereafter cited Sugar Supply.

17. Leo F. Stock, ed., Proceedings and Debates of the British Parliaments Respecting North America (3 Vols., Washington, D.C., 1924), I, 343-344. Hereafter cited Debates of Parliament.

18. Journal of State Papers, Colonial Series, 1574-1660, 196.

19
to England.

However, these did not pertain to Great Britain were amplified by legislation and instructions to officials. An ordinance was published in 1646 which showed the great benefit derived from colonial trade and extended encouragement of the development of the plantations. This act also provided that goods should be carried only in English vessels and that any violation would cause the colony to be excluded from its beneficial provisions.²⁰

Other restrictive trade measures followed; however, the culmination of this period of colonial experiment may be found in the Navigation Acts of 1651, 1660, and 1673.²¹

A Council was appointed for the "regulation, security, and improvement of the foreign plantations in 1650."²²

The purpose of the Act of 1660 was to control the import and export trade of the colonies, and violations were to be tried in Admiralty courts under British control. Besides the restrictions in the manner of trade, the British made demands for payment of customs duties in money rather than goods. On July 9, 1672, the instructions from the Customs House in London requested Edward Randolph, the collector of duties in New England, "to collect the duty

19. Ibid., 375.

20. Journal of Parliament, I, 331-335, 337-338; II, 185.

21. Ibid., passim.

22. Journal of State Papers, Colonial Series, 1674-1660, 437.

in money, and not in goods." The instructions further stated that "what of necessity you must take in goods, you are to endeavor to sell to the best advantage, and you are to remit the money you receive for the said duties, by good bills of exchange or in ready money."²³

Although the colony received a limited supply of specie through the exportation of produce to the West Indies, Spanish America, and southern Europe, the need for British goods without comparable products to return as payment caused the colony's meager supply of precious metals to be drained to England. As early as 1646 Spanish money was circulated in the port towns and a scarcity of money was attributed to the unfavorable balance of trade.²⁴

Governor Lechstreet in his report to the Committee of Trade and Plantations on May 18, 1696, stated that one of the obstructions to trade was "the swamping of markets with English goods."²⁵ Due to the frequent exportation of New England coins, the General Court legally accepted Spanish silver in 1692.²⁶ An even better understanding of the existing trade balances and the drainage of silver was given through a pamphlet attributed to Cotton Mather, a prominent clergyman of Boston.

23. Collections of the Massachusetts Historical Society, Third Series, VII, 134.

24. Records of the Colony, III, 92.

25. Collection of Cotton Mather, Colonial Series, 1677-1680, 130.

26. Records of the Colony, V, 351.

Silver in New-England is like the water of a swift running river, always coming, and as fast going away; one (in its passage) like a bar at-Tide, catches a fish or cup-full for his occasions; but if the influx of plate from the West India be stopped for a little while, and the efflux in returns for England continue will not the mill-pond be quickly drained, so as neither bucket nor cup can dip its fill? 27

The British customs records revealed that between 1698 and 1702 the average yearly purchases by New England were 92,200 pounds while the average yearly returns were only 33,400 pounds. This showed a considerable deficiency in returns; however, the records do not take into account the money shipments, exports, and credit transactions secured by New England through indirect trade.²⁸

In addition to the unfavorable balance of trade and the drainage of silver, the expenses of the colonial government were a burden on its financial resources. A primary factor responsible for the difficulties experienced by the treasury was the inability of the Court to collect taxes in money.²⁹ Excises were small and exports paid no duties; consequently, only limited revenue was available to replenish the funds of the colony.³⁰ Military expeditions were paid for by taxations or loans.³¹ In 1678 a

27. Cotton Mather (7), "Some Considerations on the Bills of Credit Now Passing in New-England. Addressed unto the Honorable, John Phillips, Esq; Published for the Information of the Inhabitants," Supremacy Controversy, 4, 93.

28. C. F. Mottola, op. cit., 107.

29. Records of the Colony, 4, 103-104.

30. Records of the Colony, 4, 103-104; Records of the Colony, 1577-1600, 101-102, 202.

31. Records of the Colony, 11, 124; V, 71.

report submitted to the British government showed the expense involved in defending Maine amounted to eight thousand pounds.³² An expedition to Boston in 1693 found the colony without the necessary money to pay the wages of the soldiers and sailors.³³ Reverend John Wise, the author of Unreasonable Tax in New England, summarized the expenditures of the wars in the following quotation:

The Wars since they began in this Country, have exhausted, wasted, and confounded, besides Lives, more (I do imagine) than the Billings of London, within the Vicinities of about Forty Years. For how many fair Towns have they demolished? And how many more have they prevented of a Being? And what an immense Treasure have we been defrauded of; as well as what we have consumed, to save what we have yet left? 34

Thomas Hutchinson also emphasized that wars and heavy taxation were a considerable drain on the wealth of the colony.³⁵

Attempts to solve the problem of an adequate money supply were the primary consideration of Massachusetts. The encouragement of manufactures, the use of commodities and Spanish coin as legal tender, the establishment of the mint, and the revaluation of foreign coins were some of the important projects attempted by the colony to

32. Salisbury of Hated Years, Colonial Series, 1677-1690, 362, 363.

33. John Blackwell, "Some Additional Considerations Addressed unto the Honorable William Andover," Massachusetts Magazine, 1, 300.

34. John Wise, "A Word of Comfort to a Solenely Country," ibid., 11, 175.

35. James Hutchinson, The History of the Province of Massachusetts-Bay (4 Vols., London, 1733.), II, 150. Hereafter cited History of Massachusetts.

supply an adequate medium of exchange. These varied and numerous attempts showed the seriousness of the monetary problem.

Early in the history of the colony, the General Court gave its attention to the encouragement of manufactures. The year 1640 brought with it the first act whereby the provincial government offered to pay bounties for the manufacture of textiles. The following court order was to be in effect for a period of three years.

For encouragement of the manufacture of linen, woolen, and cotton cloth, it is ordered, that whatsoever shall make any sort of the said clothes fit for use, and shall show the same to the next magistrate, or to two of the deputies of this Court, upon certificate thereof to this Court, or the Court of Assistants, the party shall have allowance of three pence in the shilling of the worth of such cloth, according to the valuation, which shall be certified with it. 36

The heads of families were requested by the court to see that their servants and children were industriously occupied in preparing flax, hemp, and other things for the manufacture of clothing. 37 The government in 1645 granted land to individuals to encourage the manufacture of iron products. This order also provided for rights to transport iron to other parts of the world. 38 No reference was made to the purpose of the early encouragement of manufactures, but it is significant to note that these actions

36. Records of the Colony, I, 294, 303, 322.

37. Ibid., 322.

38. Ibid., 57-61.

by the colonial government coincided with the early need of specie and the unfavorable balance of trade. A letter presented to the Court about the possibilities of establishing an iron mine indicated the unfavorable balance of trade and the need of funds for enterprise.³⁹ Also the great amount of cheap lands that encouraged artisans to move out of the settled areas caused a scarcity of labor and resultant high wages. The excessive wage rates in turn caused products to be so high in price that manufactures could not compete with English goods.⁴⁰

Another method which the colony used to get around the money problem was the acceptance of commodities as a substitute medium of exchange. The town of Cambridge used corn as partial payment of debts in 1635 as indicated in the following entry:

Agreed with William Lutton to have 100 Cattell one the otherside the River for the space of seven monthes to beine when the Towne shall appoint him and to have Twenty pounds the one halfe paid him in Money when hath kept halfe his tyme and the other halfe in Corne when he hath done keeping at the price wch the Common rate of Corne goeth when he is to be paid. 41

On October 7, 1640, the General Court ordered that "no man shalbee compelled to satisfye any debt, legacy, fine, or any other paynt in money, but satisfaction shalbee accepted in corn, cattle, fish, or other commodities, at such rates

39. Ibid., 92.

40. S. A. Kettels, Menor Supply, 60.

41. Cambridge Town Records, 10.

as this Court shall set downe from time to time." ⁴² Town officials' salaries were sometimes paid partly in silver and the balance in goods. ⁴³ Payment for land was occasionally made entirely in commodity money. One inhabitant agreed to a price of fifteen pounds for a plot of land ⁴⁴ which he paid in yearly payments of corn and cattle. An interesting element in making payments was the ratio of money to commodities. The following agreement illustrated the emphasis on the use of commodities rather than silver.

Capt Wm Brewne & John Hathorne in the name & p order of the select men Agreed with Walter Skinner to keep the towne herd of Cowes for three shillings six pence p heade one thurd thereof in money, the other two thirds in provisions or goods, which is to bee paid by the Owners of the sayd Cowes. ⁴⁵

Any discussion of the money problem in Massachusetts inevitably included the important role played by the mint. This was the first mint to be established in the colonies. A court order issued in 1692 provided for a mint house at Boston and John Hull was appointed master of the mint. People in the colony were encouraged to bring in all bullion plate and foreign coins in their possession. These were to be melted down and coined into silver pieces with denominations of twelve, six, and three pence. The denomination of each coin was stamped with

42. Records of the Colony, I, 304.

43. Town Records of Topsfield, Massachusetts, 1659-1772 (2 Vols., Topsfield, Mass., 1917), 24. Hereafter cited Town Records of Topsfield.

44. 1841, 25.

45. Town Records of Salem, Massachusetts (3 Vols., Salem, Mass., 1913), III, 65.

Rown numerals on one side, while the letters NE were stamped on the other side.⁴⁶ Later, the pine tree symbol⁴⁷ was used as a marking. The markings on these coins were significant since they were intended as legal tender only within the jurisdiction of the colony. The following provision of the order compared the value of the new coins with English coins.

The said master of the mint aforesaid is hereby required to coin all the said money of good silver of the just alloy of new sterling English money, and for value to stamp two pence in a shilling of lesser value than the present coin, and the lesser pieces proportional so; and all such coin as aforesaid shall be acknowledged to be current coin of the commonwealth, and pass from man to man in all payment accordingly, within this jurisdiction only.⁴⁸

Although no figures are available, it is believed that the amount coined was considerable.⁴⁹

Also significant were the restrictions on the exportation of minted coins. In 1654 an order was issued which stated "that no inhabitant of this jurisdiction or stranger or shall from henceforth send, carry, or transport out of this jurisdiction, by sea or land, directly or indirectly, any of the money that hath been or shall be coined within this jurisdiction."⁵⁰ Money presumably left the colony by

46. Records of the Colony, III, 231.

47. Sir Thomas Temple, "Apology for Coinage in Massachusetts," Monthly Magazine, January, 1799, Collocations of the Massachusetts Historical Society, Second Series, I, 277-278.

48. Records of the Colony, III, 261.

49. L. Hutchinson, History of Massachusetts, I, 178.

50. Records of the Colony, III, 255.

one means or another even after the order was issued. This is substantiated by the issuance of an order in 1669 tightening the already existing regulations. Commissioners were appointed by the court with authority to search for and prevent any clandestine methods of taking money out of the colony.⁵¹ Trade which continued to a greater or lesser degree necessarily affected the value of these orders as measures to keep an adequate medium of exchange in the colony. However, these restrictive measures indicated attempts by the government to keep exportation of coins at a minimum.

The purpose of establishing the mint is difficult to determine from existing information; however, it would seem that standardization was a means to prevent confusion as well as an attempt to stabilize the medium. According to the original order, the coins were intended only for use within the colony. John Hull wrote in his diary that the founding of the mint was prompted by the numerous coins in circulation and the ease by which they could be counterfeited.⁵² Thomas Hutchinson, in his contemporary history, verified this statement.⁵³ When the violations of the Massachusetts charter were being examined by the British

51. Id., Part II, IV, 420-421.

52. The Diaries of John Hull, Mint-Master and Treasurer of the Colony of Massachusetts Bay, Instructions and Collections of the American Antiquarian Society (Worcester, Mass., 1857), III, 145. Hereafter cited Diary.

53. T. Hutchinson, History of Massachusetts, I, 177-179.

government in 1677, the establishment of the mint was attributed to the need of money to support commerce.⁵⁴

In the original draft of an address to King Charles in October, 1674, the colony complained about the lack of a staple commodity to pay debts and purchase necessities.⁵⁵

Although the British government challenged the colony's right to coin money, the mint continued in existence until near the end of the century. In 1667 the Royal Commissioner's instructions to the governor requested that the act establishing the mint be repealed. The request further stated that coining money was a royal prerogative and that the colony had usurped these powers.⁵⁶ No other action was taken until 1677 when the operation of the mint was among the enumerated violations of the Massachusetts charter. However, the matter of closing the mint was not pressed by the British government after apologies from the colony.⁵⁷ The master of the mint, John Hull, died in 1673. The mint was probably suppressed by the Indian administration the following year.⁵⁸

In order to affect a flow of money to the colony, foreign coins, particularly Spanish, were revaluated. The revaluation laws were widely enacted in the colonies:

- 54. Calendar of State Papers, Colonial Series, 1677-1680, 123, 125.
- 55. "The Coinage of Massachusetts," J. Hull, Diary, Appendix, 222.
- 56. Records of the Colony, Part II, IV, 213.
- 57. Calendar of State Papers, Colonial Series, 1677-1680, 123-124.
- 58. J. Hull, Diary, 146.

and tended to ease the competition, since those who established the highest values won an advantage. In May 24, 1681, the provincial government of Massachusetts enacted a law which declared that pieces of eight "shall be paid and received at six shillings eight pence per ounce true weight, and all other pieces of the like coin that are good silver shall pass at the same price and weight."⁵⁹

This showed a considerable increase since the original value of the piece of eight was four shillings six pence.⁶⁰

Disruptions in the economy of the various colonies, through the overvaluation of coins, and the distress caused in making payments, prompted the British government to take action. Advancing the rates of coins above the original value on a competitive basis caused some colonies to be drained of money with concomitant disruptions.⁶¹

The British merchant also complained of the injustices caused by this overvaluation of money. The merchant in Great Britain had accepted Spanish pieces of eight at four shillings six pence, in payment of debts; but when the value of the coins was raised in the colonies, they suffered losses.

The planters and factors abroad [the colonies] contrived to remit or charge in their accounts these

59. Records of the Colony, V, 373.

60. "Observations occasion'd by Reading a Pamphlet Intitl'd, a Discourse Concerning the Currencies of the British Plantations in America," Currency Reports, IV, 139-140.

61. ibid., 141. Debates of Parliament, III, 36-37.

pieces of eight for a crown or 5s. sterling, though but of the value of 4s. 6d. and this was the first rise of the money, and was a fraud of 11 per cent. not only upon the British merchant, but all others who had quit-rents, annuities, wages, stated fees and dues then settled; which concern the rights of his Majesty and a variety of his subjects. 62

This situation became worse as the colonies continued to increase the value of these coins. The British took action in 1703 through a Board of Trade inquiry. Its findings revealed "that pieces of eight, Seville, Villar and Mexico, had been current in the colony of Massachusetts-Bay at the rate of 6s. a piece, by virtue of an Act passed there and confirmed by King William."⁶³ It would seem that the peak reached in the overvaluation of Spanish coins in Massachusetts was somewhere between six shillings and six shillings eight pence. On June 12, 1704, a proclamation by Queen Anne upon the findings of the Board of Trade pegged the value of the Spanish piece of eight at six shillings.⁶⁴ This particular rate was probably chosen inasmuch as this was the average value then established in the colonies. These coins now became known as "proclamation money."⁶⁵ The practices of overvaluing coins still continued after the issuance of

62. "Observations occasion'd by Reading a Tractlet," Currency Pamphlets, IV, 140.

63. ibid., 141.

64. British Royal Proclamations Relating to America, 1603-1783, Examinations and Collections of the American Antiquarian Society, III, 151-153.

65. "An Inquiry into the Nature and Uses of Money; More especially of the Bills of Bankers Credit, Old Paper, Together with a Proposal of Some Proper Relief in the Present Distress," Commons Journals, III, 136.

the Queen's proclamation and complaints were voiced from
all sides.⁶⁶ Thus, Parliament passed an act in 1703 with
stipulations to enforce the provisions of the proclama-
tion with penalties for violations.⁶⁷

There can be little doubt that a serious money problem existed early in the history of the colony of Massachusetts. British demands for payment of duties in money in addition to the dependency of Massachusetts on England for numerous commodities created an unfavorable balance of trade which gradually depleted the colony of its specie supply. Without an adequate money supply, it became increasingly difficult for the colony to carry on the functions of government and society. The various steps taken by the provincial government showed the accentuation of the money shortage with each ensuing year. The encouragement of manufactures, the use of commodities as a medium of exchange, the establishment of a mint, and the use and revaluation of foreign coins all show the seriousness of the problem.

This chapter does not tell the whole story of the monetary problem. While these measures were being taken by the government, the use of paper money was also adopted

66. "Observations Occasion'd by Reading a Pamphlet," 1711., IV, 142. Debates of Parliament, III, 35-37.

67. "Observations Occasion'd by Reading a Pamphlet," Currency Lawsuits, IV, 143.

as a device to alleviate the shortage of money. This subject is so broad that it will be considered separately in the following chapter.

11. Paper Money

The early financial difficulties of the Massachusetts colony merely set the stage for the future activities that revolved around the critical money problem. With each ensuing year the colony felt the increasing necessity of obtaining an adequate medium of exchange to carry on its trade and to pay the expenses of the government. The colonial government, as well as prominent individuals, was aware of the obstructions in affairs caused by the lack of money and that progress could only be made by finding a suitable remedy. Since government and trade were operating under distressing circumstances, it is not difficult to understand the early use of paper as a substitute for money.

Paper notes or bills of exchange were used early in the history of the colony. During a war with the Indians in 1575, the General Court of the province was compelled to make a loan from merchants and other individuals. Treasurer's receipts or a form of promissory notes secured by public lands were offered to the lenders until the government could make payment. These receipts could be transferred by the original holder to creditors; they then circulated as a crude form of currency.¹ Individuals used

1. Records of the Colony, V, 71. C. I. Nettels, Money Supply, 211.

bills of exchange to discharge debts. These bills were drawn on deposits in England through agents, and could be endorsed and passed from person to person as a substitute for money.² Some fragmentary evidence indicated that a group of individuals experimented with the establishment of a fund and the circulation of bills for a period of about six months in 1632. According to Reverend John Woodbridge, this idea came from a friend in London, William Ietter, the author of The Key to Wealth.³ Whether or not these early bills of exchange can properly be classified as money is questionable; however, their use pointed the way to the widespread use of paper money in lieu of gold and silver.

The provincial government first resorted to the issuance of paper notes as a substitute for money in 1690 and 1691. Because of the unpreparedness of the colony to meet the financial obligations contracted from an expedition to Canada under the command of Sir William Phipps, the General Court ordered that forty thousand pounds in bills of public credit be emitted to pay the debts. These bills were intended to pay the immediate obligations of the military venture and then were to be drawn into the

2. Samuel Nowell to Daniel Hull, September 3, 1636, Letter-Book of Samuel Nowell, Collections of the Massachusetts Historical Society (2 Vols., Boston, 1875, 1880), Fifth Series, I, 37, 44. S.F. Noticola, Lower Canada, 170-171.

3. John Woodbridge, "Reverend's Relation to the Fund," Surrey's Annals, I, 109-110.

treasury by excises, imports, and other taxes. In October, 1691, ten thousand pounds were cancelled and burned at the treasury, while the remainder of thirty thousand pounds was covered by a tax levy the following year. From 1690 to 1702, no new emissions were made, but a number of small parcels of bills were reissued to defray the expenses of the government. The paper money issued during this period was commonly known as "old Charter bills."⁴

Although these paper notes satisfactorily answered the purpose of paying the colonial war debt and were soon recognized at par with silver, disastrously effects followed. The principal sufferers were the soldiers and seamen who received their pay in paper money. In order to dispose of the bills and receive the value of their military services, it was necessary to purchase goods with these paper notes at debased values. When the tax levy was made, the government accepted the notes at a five per cent increase over their face value, the individuals then holding the bills of credit receiving the benefit of the

4. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England: in a Letter from a Gentleman in Boston to a Merchant in London," Currency Pamphlets, IV, 151. William Douglass, "A Discourse Concerning the Currencies of the British Plantations in America. Especially with Regard to Their Paper Money: More Particularly, in Relation to the Province of Massachusetts-Bay, in New-England," Currency Pamphlets, III, 115.

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overvaluation.

The following comment by one of the contemporary writers related the immediate effects of the first emission of paper money.

It put the Country into Confusion as to their Trade. The Bills then made, did in some measure answer the End, because they did discharge the Debt; but with what a great loss, was it to those Poor Men, who ventured their Lives, in the Expedition? They were forced to buy such Goods as its likely they had hardly any need of, to get rid of their New-Coin'd Money. And what they bought, was so to their disadvantage, that they put off their Bills, at Twelve or Thirteen Shillings in the Pound; so that indeed they had in effect, one third part of their pay struck off; & this too much at the Bottom of all the aforesaid Stocks. The Justice of the proceedings, I shall leave to the Reader. 6

The first issues improved the status of the trading element of the colony in that a ready market for goods was created by the purchasing power given to the inhabitants through the bills of credit. This, in turn, encouraged the traders to import greater quantities of merchandise than it

5. "Some Additional Considerations Addressed unto the Worshipful Elisha Hutchinson, Esq. By a Gentleman That Had Not Seen the foregoing Letter," Ibid., I, 204-205. Collections of the Massachusetts Historical Society (Boston, 1915), Second Series, III, 200. T. Hutchinson, History of Massachusetts, I, 402-403.

6. "The Second Part of South-Sea Stock. Being an Inquiry into the Original of Province Bills of Credit, Now in Use in His Majesty's Plantations, More Especially in New England; With Some Thoughts Relating to the Advantage, or Hurt Done by Omitting the Said Bills," Currency Reprints, II, 310-311. "Some Additional Consideration Addressed unto the Worshipful Elisha Hutchinson, Esq.," Ibid., I, 201. Oliver Heyes, "A Vindication of the Remarks of One in the Country upon the Distressed State of Boston, from some Exceptions Made Against 'Em in a Letter to Mr. Colman," Ibid., II, 27. Collections of the Massachusetts Historical Society, Second Series, III, 200.

was possible to make returns for; consequently, silver was bought up with paper bills to pay for the imported commodities. This was undoubtedly made possible when the government began valuing paper money five per cent higher than silver.⁷ The excessive imports during this period of the first emissions quickened the drain of silver from the country. However, the five per cent advance on the stated value of the bills of credit allowed by the government when taxes were paid to the treasurer rapidly obtained "a currency at par with silver." Although the first bills of credit were issued as an expedient and the only means to pay the debts of the colonial government, the province's appreciation of paper as a medium of exchange established a precedent for future currency legislation.

Numerous references to the lack of an adequate money supply substantiated the seriousness of the problem. Much attention was given to the encouragement of manufactures as a solution to the money problem because of the dependence of the colony on outside sources, particularly England, for goods. However, England's discouragement of colonial manufactures through her mercantilist regulations, and the colony's inability to finance large scale manufacturing projects prevented the province from making substantial

7. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New England. Currency Legislation, IV, 111.

8. 1741, 111, 124.

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progress.

The repetitious evidence of the critical money shortage is particularly evident after the turn of the century. In 1760 John Higginson, a Salem merchant, complained of the extreme scarcity of money.¹⁰ A letter written in 1714 and attributed to Cotton Mather, a prominent clergyman of Boston, declared that "May England is now grown a populous Country; and by consequence the Business therein carried on must be considerable. But for some well known Causes tis come to pass that it may say, silver and gold have I none."¹¹ The House of Representatives in 1713 voted to collect only a portion of the annual revenue because "the only Bill now passing in Trade, is the Bills of Public Credit, which are so far drawn in already, That it is a Difficulty, next to an Impossibility for this Province to pay the Tax of Twenty-two Thousand Pounds, Granted to be raised this Year, within the same."¹² One of the pamphlets printed in 1719 stated that during the past twenty years "Our Silver Money has been generally Expended, so that now there is not a Penny of it passing between Man and

9. S.W. Kettels, Money Supply, 46-47.

10. John Higginson to Brother, August 25, 1760, Higginson Letters, Collections of the Massachusetts Historical Society (Boston, 1920), Third Series, Vol. 200. Forester cited Higginson Letters.

11. Cotton Mather, Diary, 1714., Seventh Series, Part II, Vol. 200.

12. Journals of the House of Representatives of the Province of Massachusetts-Bay, 1713-1714 (10 Vols., Boston, 1837-1847), I, 14. Forester cited Journals of the House of Representatives.

13
Man." John Solman, conspicuous in business and public affairs in Boston, played a leading role in the pamphlet discussion of the money problem. He gave the following account of the situation in 1720.

The Medium of Exchange, the only thing which gives life to Business, Employe the Poor, feeds the Hungry, and Cloaths the Naked, is so Exhausted; that in a little time we shall not have wherewith to Buy our Daily Bread, much less pay our Debts or Taxes. How happy are you in the Countrey, who have your Milk and Honey of your own, while we depend on the ready Penny from day to day; and there are so few Bills Circulating (For Silver there is not a Penny passing) that People are distressed to a very great degree, to get Bills to procure the Necessaries of Life; and that not the Poor only, but good substantial House-keepers, who have good real Estates in the Places, such as we call the middling sort, who it must be acknowledged bear the greatest part of the Burthen; and by these Taxes support, both the Government, Ministry, and the Poor. 14

Reverend John Wise, who wrote the treatise, A Word of Comfort to a Melancholy Countrey, in 1721, declared that the "Medium of Trade is so exceeding short, and insufficient that Business begins to Clogg; or does not go on so roundly as it might do, were it more redundant and full. As for the Money Medium we have none at all, and its quite Exhausted; and the Bills which have supplied its place, they

13. "The Present Melancholy Circumstances of the Province Consider'd, and Remedyes For Address Humbly Proposed, in a Letter From One in the Countrey to One in Boston," Currency Remnants, I, 352.

14. John Solman, "The Distressed State of the Town of Boston, &c. Considered. In a Letter From a Gentleman in the Town, to His Friend in the Countrey," Ibid., 300.

are grown scarce, which is evident by the Loud Complaints
of Town and Country." ¹⁵ According to Thomas Hutchinson,
one-time governor of the colony, the trade of the province
was in a very bad state in 1727 due to the scarcity of
money. "In 1733 there was a general complaint throughout
the four governments of New-England of the unusual scarcity
of money." ¹⁶

One of the main causes of the unprecedented shortage
of specie was the unfavorable balance of trade. The records
of the British custom-house for the years 1693 to 1717 re-
vealed that New England imports from England averaged
103,100 pounds, while the yearly average of New England's
exports amounted to 37,400 pounds. This resulted in an ad-
verse trade balance of 66,100 pounds annually. ¹⁷ In 1700
John Kinginon suggested the following solution to redress
the unfavorable balance of trade.

Considering that money is of late grown so exceeding
scarce amongst us, that the making of returns to England,
by way of Barbadoes, Leeward-Islands, Bilbao, Porto, Cadix,
and Isle of Night, would be more easy and safe than direct
to England; and it's probable, more advantageous; because,
money being scarce, and returns direct, difficult to be
got, debts must be contracted to procure money, which will

15. John Wise, "A Word of Comfort to a Melancholy
Country. Or the Bank of Credit Created in the Massachu-
setts-Bay, Fairly Defended by a Discovery of the Great
Benefit, Accruing by it to the Whole Province; with a
Remedy for Recovering a Civil State when sinking under
Depreciation by a Defeat on their Bank of Credit," ibid.,
11, 150.

16. T. Hutchinson, History of Massachusetts, II,
243-245, 282-283.

17. C.F. Kettels, Money Supply, 72.

be hardly got in; whereas, a man may sell more goods, and better get his debts more speedily and certainly, for barter of goods for those markets, than direct. 13

Paul Bulley, the Attorney General of the province, observed in 1714 that the "great Imprevidence and Unhappiness in this Country, (of late Years especially) that the greatest part of our Consumption in Boston, and other Sea-port Towns, almost to Food and Raiment, has been of Foreign Commodities, when the same things might be raised among our selves, were the Produce of our Country Encouraged, at least, so much as to make a Balance of Trade in our Favour." 10 John

Colman in 1720 discussed the drainage of specie through the unfavorable balance of trade with England:

"A little silver comes in, goes away as fast as it comes for Returns to England; how vain then it is for us to pretend to have Silver to pass among us; and all men agree in this, that there is no living without some Medium: Then surely that can be the Design of those who oppose every thing of this nature, and propose nothing to relieve us; We are a dependent Government, and have our bounds set us; our Charter carries with it a ne plus Ultra; we are to do nothing which may seem to bear hard on the Trade of Great Britain, else I would propose that some way be contrived to prevent the Exportation of what Silver comes in; tho it be but little, it would help us something; but there is fully consented; and whether it would be allowed us by the Crown to do, is what we have reason to suspect." 20

13. John Higginson to Brother, August 25, 1700, Higginsons Letters, 220.

14. Paul Bulley, "Objections to the Bank of Credit lately projected at Boston. Being a Letter Upon that Occasion, to John Durrill, Esq; Speaker to the House of Representatives for the Province of the Massachusetts-Bay in New England," Sarranox Americana, 1, 254-255.

20. J. Colman, "The Distressed State of the Town of Boston once more considered. And Methods for Relief humbly proposed. With Remarks on the Pretended Country-Men's Answer to the Dock, intitled, The Distressed State of the Town of Boston, &c. With a Scheme for a Bank laid down: And Methods for Bringing in Silver Money, Proposed," Ibid., 11, 64-66.

The second part of Smith's Essay, a pamphlet written by an unknown author in 1711, asserted "that in the last ships that sailed this Winter, some Thousands of pounds worth of wrought plate was ship'd off for Great Britain."²¹ A resolution passed in the Assembly on December 13, 1727, stated that the silver money that had formerly circulated had been denied from the colony to make payments to Great Britain.²² In 1749 Benjamin Franklin wrote his famous essay on money and showed in the following passage how the scarcity of money caused a greater consumption of foreign goods.

Because Merchants and Traders, by want abundance of Artificers and labouring Men are employed, finding their other Affairs require what Money they can get into their hands, oblige those who work for them to take one half, or perhaps two thirds Goods in pay. By this Means a greater Quantity of Goods are disposed of, and to a greater Value; because Working Men and their Families are thereby induced to be more prodigal and extravagant in fine Apparel and the like, than they would be if they were obliged to pay ready Money for such Things after they had earn'd and received it, or if such Goods were not imposed upon them, of which they can make no other Use: For such People cannot send the Goods they are paid with to a Foreign Market, without losing considerably by having them sold for less than they stand on in hand; neither can they easily dispose of them at Home, because their Neighbours are generally supplied in the same manner; But how unreasonable would it be, if some of these very Men who have been a Means of thus forcing People into unnecessary Expence, should be the first and most earnest in accusing them of Idleness and Prodigality.²³

Colonial newspapers also carried the story of the unfavorable balance of trade. An article that appeared in The

21. 1711, 100-101.

22. Journal of the House of Representatives, VIII, 47.

23. Benjamin Franklin, 'A Short Inquiry into the Nature and Necessity of a Paper Currency,' Summary Reports, II, 314-341.

Weekly Rehearsal on March 13, 1734, asserted that,

Considering our necessary Subjection to, and the Dependence on our Mother Country, we are as much obliged to be a Trading People, if we would be beneficial to England, 'tis certainly their Interest to encourage us in our Plantation Trade, that we may pay them for what we can consume, and for that End to suffer or rather to necessitate us, to have chiefly a Foreign Consumption among ourselves. This has made me wonder at the Policy of forbidding our Enacting any Bills, and the Duty lately laid on Molasses and Rum, which amounts to more than a Prohibition of our Trade with the Foreign Plantations, while our own can't consume half what we have to spare. For thereby we shall be forced sore against our Wills, and the Interest of England, to contract our Trade and our manner of living, to raise more Wooll, or go much warmer clad, or leave the Country for a warmer climate. 24

There was much agitation for the development of manufactures as a means of redressing the balance of trade. Historians have not emphasized the significance of colonial manufactures and its relationship to the monetary problem; however, contemporary writers directed much of their thought and effort to the importance of manufactures and the balance of trade. A Letter from One in Boston to His Friend in the Country written in 1714 declared that granting a bounty for the sewing of hemp and making it into canvas would effect a more favorable balance of trade so that silver might be brought into the country. 25 Paul Dudley admitted that foreign commodities, which were being imported, could very well be produced within the colony,

24. The Boston Weekly News Letter, March 7, 1734, The Weekly Rehearsal, March 13, 1734, Ibid., III, 90-92; 95-97.

25. Ibid., I, 270.

with the result that its trade position would be improved. A pamphlet entitled Some Considerations About the Several Sorts of Irons, published at Boston in 1716, gave an account of the possibilities of manufacturing in the colony. Particular consideration was given to the making of nails in the following comment:

And there being great occasion for Nails, & other small Works, which at present cannot be made at the price for want of a splitting Mill to split the Iron into suitable Rods; (For it is found that 'tis as much labour to fit the Rods, as to split the Nails when the Rod is prepared). If the Country should give or lend a competent Sum to any that shall procure Workmen to bring such a Mill to work to Effect here, it would enable the Smiths to make a sufficient Supply of nails for this Country. And if the Soldiers at the Castle had Millers to instruct them, many of them might be employed in it, which would be a benefit to such Soldiers in their Health. This one Article of Iron-Works, which might be set upon for a few Hundreds, would soon save the Country some thousands in a Year.

The same publication showed how glass works might be improved as well as the sowing of hemp and flax. In 1719 another essay stated that since "the Export of this Country, must necessarily exceed what we spend of Imported Commodities, in order to the making Money pass Current among us; it must needs be wise in us, to spend as little as need requires of Imported Goods, and to Raise, Make, and Produce, as much as we can for our own Supply." In answer to a letter entitled, The Internal State of the Town of Boston

26. Ibid., 341-342.

27. "An Addition to the Present melancholy Circumstances of Province Considered, &c., March 6th. 1712, 9. Exhibiting Considerations about Labour, Commerce, Money, Notes, or Bills of Credit," Ibid., 376.

Considered, a man from the country agreed with the author's advice to encourage manufactures and assured him of the country's support.²⁸

The colony attempted to advance manufacturing but met with little success. In 1715 the Assembly enacted laws that allowed bounties to any inhabitants making sail cloth.²⁹ A bill was introduced in 1718 for "Promoting and Encouraging the making good Iron & Iron Ware, within this Province."³⁰ However, there is no indication that the proposed act became law. Some of the restraints on this type of legislation undoubtedly came from the British officials.³¹ In a report submitted to the Lords of Trade on December 4, 1731, Governor Belcher declared that linen, cotton, women's ware, bar iron, cast iron, and nails were being made by the colonists.³² He wrote a letter to the Duke of Newcastle in 1732, in which he made the following suggestion concerning colonial manufactures and British trade:

I wish the Assembly wou'd give a larger bounty for raising them [Naval Stores]; but lest they shou'd not do it sufficiently, might it not be worthy to be laid before the Parliament of Gt Britain for their giving a good bounty to encourage the raising of these stores in the British colonies, which perhaps might prevent a vast sum of English

28. The Boston News Letter, April 12, 1720, Ibid., 409-412.

29. Journals of the House of Representatives, VII, 65.

30. Ibid., II, 41.

31. "Some Considerations Upon the Several Sorts of Banks Propos'd as a Medium of Trade and Some Improvements that Might be Made in this Province," Ibid., I, 342.

32. Jonathan Belcher to Lords of Trade, December 4, 1731, Belcher Papers, Part I, Collections of the Massachusetts Historical Society (2 Vols., Boston, 1894), Sixth Series, VI, 70. Hereafter cited Belcher Papers.

money's going to the Northern Crowns, and instead thereof his Majesty be supply'd with naval stores from his own plantations, and in return for the manufactures of Great Britain? I humbly conceive nothing would make these plantations more serviceable to the mother kingdom, nor so naturally divert them from interfering with her manufactures. 33

Thus the promotion of manufactures was significant as a solution of the monetary problem insofar as the type of goods considered did not interfere with British objectives in trade.

The colonial government began a series of new annual emissions of bills of credit in 1702. The paper money issues in 1702 and 1703 amounted to ten thousand pounds for each year. Although the excuses or reasons given in the preamble of these money acts were "for the present Supply of the Treasury to pay the Soldiers and Seamen employed in His Majesty's Service, and to carry on the War, and defray the other Expenses of Government", the basic cause was the lack of an adequate medium of exchange in circulation. The period these bills were in circulation was limited to one year, at which time all paper money outstanding was to be called in by tax levies.³⁴

However, in 1704 the Assembly began postponing the cancellation of a portion of outstanding paper currency

33. Jon then Belcher to Duke of Newcastle, November 21, 1702, IBH, 216-217.

34. William Douglass, "A Discourse Concerning the Currencies of the British Plantations in America," Currency Reprints, III, 315. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New England," IBH, IV, 152-153.

so that an increasing number of bills circulated. Between 1704 and 1710, the amount of paper money in circulation had increased from twenty-two thousand to eighty-nine thousand pounds.³⁵ About two hundred thousand pounds were emitted during the same period; thus nearly half the amount issued remained in circulation.³⁶ The first emissions during the period 1702 to 1704 were retired in approximately one year; however, the period of redemption of the 1704 to 1706 issues was extended for about two years, the 1707 to 1709 issues for three years, the 1709 issues for four years,³⁷ and the 1710 issues for five years. Some of the unserviceable bills were burned after being redeemed for taxes, but the proportion was small compared to the amount of money issued.³⁸ Even though portions of the emissions were destroyed, new bills of credit were printed and old issues re-emitted "upon bare Votes or Orders of the Court with less and less Ceremony, and were to be drawn in by two, three, and sometimes four Parcels; and that the periods for drawing them in were gradually protracted from the first to

35. C. F. Nettels, Money Supply, 257.

36. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England," Currency Reports, IV, 192.

37. W. Douglass, "A Discourse Concerning the Currencies of the British Plantations in America," 1711, III, 115..

38. Journals of the House of Representatives, I, 53.

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the sixth Year after their respective Missions."

In addition to the yearly issues of paper money for the purpose of defraying the charges of the government, there were also direct loans to merchants. In 1711 a group of merchants received a loan in bills of credit, which amounted to about forty-nine thousand pounds to equip the British military forces under the command of General Hill and Admiral Walker about to proceed upon an expedition to Canada. In effect, this issue of province bills was a loan to the British government. The following excerpt is from a petition presented to the Assembly by the merchants in 1715 requesting an extension of the loan made by the government in 1711.

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A Petition of Jonathan Burnet and Thirty Others, Merchants, &c. to whom this Court lent of the publick Bills of Credit, in the Year 1711 to enable them, to supply the British Troops, then designing an Expedition against Canada, for which Supplies they received of the Governor & Admiral of said Expedition Bills of Exchange on the Lord High Treasurer of Great Britain; presented to the House and Read: Showing, That as yet no more than two thirds of the Bills of the same are paid, and that with great disadvantage: Praying, That one third part of the said Bills of Credit that are out-standing in their hands, may be lent to them for one Year more.

An extension of one year was granted by the Assembly.

Another petition presented by Andrew and Jonathan Belcher, Boston merchants, which requested an extension of time,

30. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New England," Suppencer Remains, IV, 157.

30. Journals of the House of Representatives, I, 30-31. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New England," Suppencer Remains, IV, 153-154.

also received approval.

Another type of money bill that increased the paper medium was that providing for the emission of province bills to be loaned directly to the inhabitants. The first of these issues was made in 1714 and amounted to fifty thousand pounds. This act stated that the money was appropriated to support the government. A committee was named to manage and distribute the bills of credit, which were loaned to anyone who could present real security. The principal was to be repaid in equal proportions over a period of five years at five per cent to the committee, which was accountable to the General Court. In 1715 another issue of one hundred thousand pounds was made for the same reason and the notes were engraved from new plates. The principal differences between this act and the appropriation of 1714 were the method of distribution and the time allowed for payment of the mortgages. In 1716 inhabitants of the towns chose committees that mailed their proportion of the emission and the time allowed for the payment of mortgages was ten years. The third issue of province bills on loan was made in 1726; however, the interest was to accrue to the towns for their benefit, while the principal was to be drawn in through taxation by 1729. A re-emission of sixty thousand pounds was made in

41. Journals of the House of Representatives, I, 30-31.

1727 and was to be redeemed at the treasury by 1739. This last issue required the respective towns to pay four per cent interest on the dividends received from loans to support the government, and an additional two per cent was to be paid by the mortgagor for the benefit of the towns.⁴²

Moreover, the province continued to issue large amounts of bills of credit to be called in by taxes, and at the same time, delayed calling in all of the old bills. The number of bills in circulation in 1715 was approximately eighty thousand pounds.⁴³ By 1722 the government had protracted the period of redemption to thirteen years, which helped to increase the amount in circulation to 174,000 pounds in 1727.⁴⁴ The peak of annual emissions was reached in 1723 when an issue of sixty thousand pounds was approved by the Assembly.⁴⁵

In addition to the quantity of money placed in circulation by new issues, the General Court began re-emissions of bills. The largest of these was 75,500 pounds made in

42. "An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England," Currency Journals, IV, 18-176. "The Deploable State of New-England. An Abridgement of a Treatise on New-England Currency," Ibid., IV, 401-402.

43. William Douglass to Samuel Alexander Telfer, December 4, 1727, Douglass Papers, Collegians of the Massachusetts Historical Society (Boston, 1912), Fourth Series, I, 17. Hereafter cited Douglass Papers.

44. Ibid. W. Douglass, "A Discourse Concerning the Currency of the British Plantations in America," Currency Journals, III, 316.

45. Douglass Papers, 171.

1713, and was followed by further emissions in 1754 and 1733.⁴⁶ After 1733, these re-issues were referred to as old tender bills. In that year the government passed an act to adjust the value of all the outstanding bills and the bills to be emitted in the future. All bills then extant were referred to as old tender bills and fixed at twenty shillings per ounce of silver. Bills of a new tender were fixed at six shillings, eight pence per ounce of silver, and were equal to the old tender bills. The new tender bills were to be redeemed by the treasury at that rate in silver in December 1741.⁴⁷

Paper money issues continued after the passage of the act in 1733, but were of the new form and tender. In the year the act was passed nine thousand pounds were issued. These bills were emitted upon "Funds of Taxes" to be drawn back into the treasury in 1741. Two sums of twenty thousand and six thousand pounds were issued in 1737 and another six thousand pounds in 1738, which were to be redeemed at the treasury for taxes in the years 1741, 1739, and 1740, respectively.⁴⁸

46. "An Inquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England," Surrey's Reports, IV, 161.

47. "An Inquiry into the State of New-England," ibid., IV, 167-168. William Shirley to Lords of Trade, January 24, 1733, Correspondence of William Shirley, Governor of Massachusetts and William Pitt, 1731-1733, 1731-1732 (ed., Walter Henry Lincoln [2 vols., New York, 1912], I, 92-6).

48. "An Inquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England," Surrey's Reports, IV, 163, 167.

Although the government made the foregoing efforts to supply a medium of exchange, depreciation of the paper money became a serious matter. There is some doubt among contemporary writers as to the exact date that depreciation began; however, it is generally agreed that 1711 was the probable year.⁴⁹ Although the colony was unable to supply silver and gold as security for the province bills, the value of these bills was maintained by advancing the face amount of the bills five per cent upon redemption at the treasury. This practice continued until 1713.⁵⁰ After the General Court disallowed this discount of five per cent, the limited supply of gold and silver in circulation was rapidly replaced by a paper medium. This was accounted for by the fact that paper money was used to purchase outstanding coin to be used as payment for imports. The author of a pamphlet written in 1712 declared,

I think some persons in Acadia have observ'd, that since the hitting the last Annual General Assembly, the price of some silver increased, and our own currency, has been considerably raised; which is not so much from the scarcity of such commodities, as from the high opinion persons have of the paper money. The last I have heard is, that when silver money is sold (now and then a little as some get it) it fetches eleven or twelve shillings an ounce in a per hony; whereas according to our law (seven-teen pence eight at six shillings) silver money is but a

49. Ibid., 124. 'A discourse concerning the Surrender of the British Plantations in America,' Ibid., 111, 122. 'The Explorable State of New England,' Ibid., IV, 401. D.D. Little, Historical Sketch, 237.

50. 'An Enquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England,' Charter and Annals, IV, 257.

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very small matter more than Lover Hillman or Cutler.
Another essayist of the period claimed that it was the
extravagance of the people and not the issuance of paper
money that was the cause of their difficulties. This
author also showed the relation between the excessive paper
money and high prices for goods: 'I am credibly in-
formed, that at the last sessions of the General Court,
when the Bill had passed in the Lower House for emitting a
Sum of Paper Money, the Merchants immediately raised
25 per Cent. upon their Goods, and the Shopkeepers had be-
gun, on the same foundation to bid high for them.'⁵⁰

Reverend Samuel Higginson gave his opinion on the de-
preciated province bills and wrote in 1733 that 'the
Merchants themselves would upon some occasions, give
Silver for them without receiving any advance, and thank
ye too. It was sometime (tho' indeed not very long) before
they seem'd to understand the Advantage put into their hands
to export the Silver.'⁵¹ Governor William Burnet declared
'that more specie is exported to England by reason of these
paper bills than could be if there was no circulation but of
Specie for which reason all the merchants here were now

51. 'The present and unhappy Circumstances of the
Province Considered,' ibid., 3, 51.

52. 'A Discourse, shewing, that the principal Cause
of the Depreciation of the Bills issued by the
Massachusetts, is the over-issuance, and the
ibid., 21, 22.

53. Samuel A. Reservoir, 'A Description of the
Monies of the Province of the Bay,' ibid., 23-24.

well satisfied with it." ⁵⁴ according to the author of An
Essay into the State of the Bills of Credit of the Prov-
ince of Massachusetts written in 1741, silver and gold
currency decreased rapidly after 1712 and "about the Year
1720 quite vanish'd, and silver and gold became from
that time scarce & expensive." ⁵⁵ Another factor in deprecia-
tion was the increasingly large amount of paper notes in
circulation and the provincial government's inability to
redeem them with a metal reserve. This was brought about
by following the date on which the bills were to be called
in by law. (On March 18, 1733, William Dummer estimated
that 500,000 pounds in province bills were in circulation.
In addition to the new shrovetts bills, approximately ten
thousand pounds in Connecticut bills, twenty thousand
pounds in Rhode Island bills, and twenty-five thousand
pounds in the Hampshire bills circulated in the New England
colonies. ⁵⁶ The neighboring New England colonies, particu-
larly Rhode Island, repaid loans in their own currency,
thus adding to the amount and confusion of monetary cir-
culation in Massachusetts. ⁵⁷ Although the province

54. William Dummer, "A Defence of John Henry, 1734,"
Albert Luskall Curt, ed. Massachusetts History told by Con-
temporaries (4 Vols., New York, 1907), II, 101.

55. Quartermaster-General, II, 117.

56. Quartermaster-General, II, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

57. "An Essay into the State of the Bills of Credit
of the Province of the Massachusetts Bay in New-England,"
Quartermaster-General, II, 117.

boycotted the use of a large emission of Rhode Island bills⁵⁰ in 1733, these bills continued to flow into the colony.

This prompted the merchants to organize and issue their own bills, referred to as "Notes of Merch" or "Merchants Notes", which could be redeemed in silver. A rise in the price of silver resulted, which further depreciated the province bills.⁵¹ Complaints about the imposition of Connecticut and Rhode Island bills of credit were made in the weekly newspapers as illustrated in the following passage.

For these two Colonies then did, and still continue to plead an Exemption (at least by their practice) by Virtue of their Charters from any Injunction from the Crown, and so they have improved their Independency by emitting Bills to such a Degree (without any Value) as has almost distracted and destroyed the Massachusetts, Nor as they emit their Bills without Restraints, so they impose them on the Massachusetts in the most licentious manner imaginable. 60

While Massachusetts labored under the difficulties of a depreciated currency and the lack of precious metals to bring back the respectability of their chief medium of trade, the British government imposed restrictions on its issuance. Under the charter granted to the colony in 1689, money legislation originated in the Assembly with the advice and consent of the governor and Council.⁶¹ The

52. "The Deplorable State of New England," Ibid., IV, 482.

53. The New-England Weekly Journal, April 1, 1734, Ibid., III, 124-125.

60. The Boston Weekly News-Letter, August 2, 1733, Ibid., II, 453. The Weekly Messenger, February 10, 1734, The New-England Weekly Journal, January 14, 1734, Ibid., III, 4-5, 36-39.

61. T. Hutchinson, History of Massachusetts, II, 237.

proclamation during the reign of Queen Anne establishing the value of foreign coins in the colonies did not apply to paper money as long as the value of the notes did not exceed six shillings.⁶² During the years that paper money became prominent as a medium of exchange, England was involved in wars and showed an indifferent attitude toward the colony. However, on September 27, 1720, the British government instructed Governor Samuel Shute not to approve any money bill unless a suspension clause was inserted. This clause suspended the operation of the act until it was confirmed by the home government. The following is a portion of the instructions to the governor:

Whereas Acts have been passed in some of His Majesty's Plantations in America, for striking Bills of Credit, and issuing out the same, in order to discharge their publick Debts, and for other purposes, from whence several Inconveniences have arisen.

It is therefore His Majesty's Will and Pleasure, That for the future you do not give your assent to, or pass any Act in His Majesty's Province of the Massachusetts-Bay under your Government; whereby Bills of Credit may be struck or issued in lieu of Money, or for payment of Money either to you the Governour, or to the Commander in Chief, or to any of His Majesty's Council, or of the Assembly of the Massachusetts-Bay, or to any other person whatsoever, without a clause be inserted in such Act, declaring that the same shall not take effect, until the said Act shall have been approved and confirmed by his Majesty: except Acts for raising and settling a publick Revenue for defraying the necessary Charge of Government of the said Province

62. "British Royal Proclamation Relating to America, 1603-1703," Translations and Collections of the American Antiquarian Society, XII, 161-163. "An Inquiry into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England," Shawnee Review, IV, 119.

of the Massachusetts-Law, according to the instructions already given you. 63

The presentation of these regulations immediately caused the Assembly to take action. On June 21, 1721, the representatives sent a resolution to the governor and demanded an explanation of the royal instructions.

Wherefore to prevent all misunderstanding, and to keep up, and maintain good agreement and harmony between his Excellency and this House, they are desirous that his Excellency would be pleased to signify to them, how he apprehends and takes these instructions, as to his power of passing Acts for the issuing of more Bills of Credit, in lieu of Money, or for payment of Money for defraying the necessary Charge of the Government. 64

Since the salaries of the Governor and other appointed officials depended upon the will of the House of Representatives, an interpretation of the royal instructions favorable to these officials was given in the following report of the Council.

The Council are unanimously of Opinion, that His Majesty's said Instruction does not affect the usual Allowance granted to his Excellency the Governour, for his Support, in Managing the Affairs of the Government, or any other ordinary Grants or Allowances made by the General Assembly from time to time, to other Persons or Officers concerned in the Government; but that such Grants and Allowances may be made without the Clause mentioned in the said Instruction, in the same manner as has been hitherto practised by the General Assembly of this Province; such allowances and grants being part of the necessary charge of the Government of the Province, for the defraying of which, the Acts for laying & raising of Taxes, & settling the Revenues are made, & cannot by any reasonable Construction be looked upon as an Act or Acts of an unusual or extraordinary nature, or wherein His Majesty's Prerogative, or the Property of His Subjects is prejudicial. 65

- 63. Journals of the House of Representatives, III, 9.
- 64. Ibid., 17-18.
- 65. Ibid., 20-21.

This report was approved by the governor.

Two methods were resorted to by the Assembly to get around the restrictions on money bills. The original instructions made no reference to the use of resolutions in appropriating money. Paper money was therefore issued by resolution, which did not require the approbation of the British government.⁶⁵ This custom had been followed since the State administration. In October, 1730, Governor Dummer signed a resolve authorizing the emission of bills of credit and added that the needs of the treasury compelled the use of this procedure. However, he stated that the charter needed clarification on this point. This prompted the British government to instruct the governor that accounts and money issues were to receive initial approval by him and the Council. Governor Dummer communicated these instructions to the Assembly on May 22, 1730.⁶⁷ Another procedure was the inclusion of clauses which approved new emissions of paper money in acts devoted mainly to drawing in old issues. Governor Dummer in 1736 stated his opinion of such an act. He expressed willingness to approve the portion of the act drawing in outstanding

66. Idem., V, 45-46; VIII, 143-147. T. Hutchinson, History of Massachusetts, II, 207. Andrew McFarland Davis, Governor and Council in the History of the Massachusetts Bay (3 Vols., New York, 1911-1912), I, 112-113. Hereafter cited Governor and Council.
67. Idem.

bills, but would not consent to a new issue.

The controversy over the Assembly's right to enact money legislation continued between the British colonial officials and the House. In 1730 Jonathan Belcher, a prominent Boston merchant, was appointed governor of the province. A short time after taking over the duties of his office, he communicated a series of royal instructions to the Assembly. The most important of these was the 30th instruction. According to this order, the control of money was to be the responsibility of the governor and Council rather than the Assembly. In essence the Assembly lost control of purse and power.⁶⁹ When the governor refused to sign an appropriation bill and resolved to carry out the 30th instructions, the Assembly replied with the following report.

It is with the highest Concern, that His Majesty's Loyal and Dutiful Subjects, the Representatives in General Court Assembled, observe the Refusal of Your Consent to the Bill pass'd this Session by the House, and concurred by His Majesty's Council, for supplying the Treasury with Twenty Thousand Pounds, for discharging the Debts Due from the Province; and the more, that at the same Time You declared Your Resolution to refuse Your Consent to any Bill of that Nature; The true and real Cause of which Concern is, our Desire that Justice may have free course, and that every one to whom the Publick is indebted, may receive their Due; and Your Excellency's Resolution seems to render

68. Journals of the House of Representatives, VII, 324-325.

69. Belcher to Lords of Trade, November 1, 1731, Belcher Papers, Part I, VI, 15-16. Belcher to Lords of Trade, July 16, 1732, Ibid., 156-159. Belcher to Lords of Trade, December 23, 1732, Ibid., 226-228. A. M. Davis, Currency and Banking, I, 115.

impossible, unless the Representatives betray the Trust reposed them by the people that chose them, and against their Constituents instructions, prostitute the Money in the Treasury to the unaccountable, and consequently uncontrollable Will and Pleasure of the Governour and the Major part of Seven Gentlemen of His Majesties Council, which is Four, and those such as the Governour shall pick and chuse out of Twenty Eight. 70

Although appeals were made to the King in 1731 and 1732 to be relieved of these restrictions, no consideration was

71
granted. Governor Belcher, in a letter to the provincial agent in 1732, complained of the obstinacy of the Assembly.

To have liberty as heretofore for floods of paper money you'd soon sink every man's estate below Carolina. You yourself you'd be a vast sufferer in all your effects here. And as to the way and manner in which they you'd supply the Treasury, I believe the 12 Judges of England will readily give it as their opinion that it's expressed contrary to the tenour of the Charter; and I take the single question in all the hurly burly about it to be, Whether the King shall appoint his own Govr or whether the House of Reps shall themselves be the Govr? I say it is only a thirst & lust of power that they cannot lay claim to with the least shadow of reason. Yet as the Province is naked & defenceless, and people lying under unjust oppression for want of their money, I hope you'll leave no stone unturned to give the Assembly as speedily as possible the peremptory result of this their dernier resort. 72

The King's 15th and 18th instructions created additional difficulties. According to the 15th instruction, the governor was not to pass any appropriation act without a suspending clause except for the annual support of the

70. Journals of the House of Representatives, 3, 376.

71. A. L. Davis, Chancellor and Belcher, 1, 115-116.

72. Belcher to Francis Wilks, December 25, 1732, Belcher Papers, Part 1, VI, 221-230.

government. He was also ordered to limit the amount in circulation to thirty thousand pounds.⁷³ The 15th instruction ordered the governor to call in all issues according to the periods and provisions stated in each appropriation act.⁷⁴ In a speech to the Assembly on April 2, 1731, the governor explained the operation of these instructions.

And as to the Bills of Credit now out on this Province, they must be called in and sunk, according to the periods and provisions of the respective Acts by which they were issued, so that by the end of the Year 1741, all the Bills of Credit now out-standing must be paid into the publick Treasury, and what are emitted for the future, it will be best to lay upon those Years that have the least Burthen, and the Matter must be so Ordered from time to time, as to answer the good End I have told you, and upon the Expiration of the Year 1741, if then the Support and Service of the Government shall so require, there may be an Emission of Thirty Thousand pounds without any Breach upon the present Instruction.⁷⁵

The Assembly's report to the governor on April 11, 1733, showed concern about these royal instructions.

The House have good reason to suppose the Votes they last year for Repairs of the King's Forts would have passed the Council, they having in the May Session concur'd Votes of the same nature: And altho' your Excellency would not have given your consent to those Votes, you observing they were diametrically opposite to His Majesty's Royal Order, forbidding you to post-pone the Funds beyond the Year 1741. yet allow the House who do or ought best to know the circumstances of the several Towns they represent, their Trade, Business, Health, and Poverty, say, that it was no pretence in the House inducing them to carry the Funds beyond that Year; for we are very sensible that unless Time be allowed,

73. Journals of the House of Representatives, II, 353.

74. Ibid., 354.

75. Ibid., X, 104-105. A.M. Davis, Summary and Banking, I, 113-115. Herbert Louis Conrad, The American Colonies in the Eighteenth Century (4 Vols., New York, 1924), III, 347. Hereafter cited American Colonies.

it will be impracticable for the People to comport with the great Expence those repairs would demand, and the annual Charge in Support of the Government. We are not insensible that about Forty Years ago, the People were greatly pressed in paying the extraordinary Charge the Government was then exposed to, and the groans under that Difficulty are not yet forgot. And it is very affecting to us that we should be urged or drawn into as great or greater charge and distress, as declining to lay any Funds beyond 1741. will necessarily lead us into, and unless there can be no longer time, the weight lying upon us must be very insupportable. And when Bills of Credit on the Province have heretofore been emitted, and the Funds for calling in the same fixed at a considerable distance of time, no publick fraud and delusion followed from thence. 76

The governor complained of the disturbing circumstances of the colony and requested the Crown's aid to give support to money issues. 77

A limited supply of paper money of the new tenor was emitted within the scope of the royal instructions in 1737 and 1738, but was to be drawn into the treasury by 1740. No significant action was taken by the British government; however, the restrictions on emitting money and the disagreements between the governor and the Assembly continued without relief to the colony.

In the meantime, the people looked toward the year 1741 with apprehension. According to the King's instructions this was to be the year when all outstanding bills of credit were to be called into the treasury. (see

76. Journals of the House of Representatives, XI, 186.

77. Order to Louis of Tröls, May 16, 1737, Colony Papers, Part I, VI, 241.

78. The Drawing into the State of the Bills of Credit of the Province of the Massachusetts-Bay in New-England, " Supplementary Journals, IV, 165.

pamphleteer in 1733 complained of the small amount of money in circulation. He also stated that "the calling in of the present Punin, without emitting upon a more regular Method might have useful Effects with regard to the Interest of the Province, and proportionably to that of the Mother Country." ⁷⁹ Newspapers and pamphlets referred to 1741 as the year of financial disaster.

Massachusetts having been forced to rely on paper money as a medium of exchange and to experience a period of inflation that accompanied it, divisions in sentiment were inevitable. Although much of the contemporary literature was written anonymously or under pseudonyms, it is evident that the critics as well as the proponents of paper money were among the prominent men in colonial affairs. Ministers, merchants, and government officials played a conspicuous role. The question of an adequate money supply, the extravagance of the people, the high cost of living, the expenditures of the government and taxes, the pecuniary interests of officials, the changing attitudes toward a solution of the monetary problem, the

79. "In a Letter from a Merchant in Boston, to his Friend in the Country," ibid., III, 283.

80. The Weekly Messenger, February 12, 1734, The Boston Gazette, February 25, 1734, May 22, 1736, ibid., III, 37-45, 52, 173. "Money the Sinews of Trade. The State of the Province of the Massachusetts-Bay Considered, with Respect to its Trade for want of a Method of Exchange wherewith to manage it. Accompanied to the serious Consideration of the Trading port in general, more especially to the Merchants and Traders in the Town of Boston," ibid., II, 432-433.

methods used to circumvent British restrictions, and the desire of the colony to progress were all involved in the currency discussions. A revival of the bank scheme was the outcome of the factors discussed in this chapter.

III. The Land Bank and the Silver Bank

The Massachusetts Land Bank climaxed a series of attempts to supply an adequate medium of exchange. British financial regulations reduced the money supply to an amount that obstructed the ordinary trade and commerce of the colony. The amount of annual appropriations for the expenses of the provincial government was also held below the level of its needs. Private attempts to overcome this deficiency in specie were proposed from time to time; however, none received as much attention or gained as much fame as the Land Bank of 1740. Through the enforcement of British regulations on the issuance of paper currency, the impending scarcity of money in 1741 paved the way for the revival of some private means to alleviate the financial difficulties of the colony.

The first serious attempt to supply bills of credit through a private source was the proposed bank of 1686. Captain John Blackwell drafted a scheme designed to emit bank notes on lands and imperishable commodities. Participants or subscribers of bank stock were to be men of wealth and estate; however, it was believed the bank could not operate successfully without the support and approval of¹ the government.

1. Proposers, "A Discourse in Explanation of the Bank of Credit or an Account of the Model Rules & Benefits of the Bank of Credit, Lumber, and Exchange of Monies Proposed to be Erected in Boston and Managed by Persons in Partnership, as Other Merchantly Affairs," Currency Reprints, 1, 125-126.

A group of merchants accepted the proposal in July, 1686, and submitted it to the government for approval. The colonial government favored the idea and promised to apply for the Crown's assistance. The bills of credit to be issued by the bank were to be acknowledged as legal tender. Government approval encouraged a number of individuals to organize a company to solicit subscriptions. The directors of the new organization were Joseph Dudley, president of the Council, William Stoughton and Matt Winthrop, members of the Council, and John Blackwell, the projector of the bank. Also connected with the scheme were such prominent merchants of Boston as Simon Lynde, James Russell, Isaac Addington, Elisha Hutchinson, John Coffin, Adam Winthrop, and Elisha Cooke. Although the bank had the cooperation of the government and leading merchants, it was abandoned in 1689 without having issued any bank notes. The cessation of the company's activities was probably caused by the opposition of Governor Andros.²

A renewed effort to establish a bank of credit based on land security was made in 1714. The reason for the revival is stated in the preface of a pamphlet, A Proposition for Erecting a Bank of Credit.

Whereas there is a sensible decay of Trade within His Majesties Plantations in New-England, for want of a

2. Ibid., 3-10. A. A. Davis, Currency and Banking, II, 73-81. Joseph Verlen, The Colonial Bank in American Civilization (2 Vols., New York, 1946), I, 96-106.

Medium of Exchange, wherewith to carry on the same; the Running Cash being Exported, and considerable Sums of Bills of Credit put forth by the Government, which had their Circulation and supported the Trade being already drawn in, and the remainder lessening Yearly, by the payment of Taxes, and other publick Dues; so that without a Medium, the Trade must necessarily decay, to the unspeakable Detriment of the landed Interest as well as the Trading Party; and there being no other Expedient in our view for the Reviving and Encouraging of Trade, and Facilitating Returns for Goods and Merchandises Imported from Great Britain, but by Establishing a Fund or Bank of Credit upon Land Security, which may give the Bills issued there-from a General Currency amongst us. 3

In a contemporary history, Thomas Hutchinson stated that

The currency of silver and gold intirely ceasing, the price of every thing bought or sold was no longer compared therewith, but with paper bills, or rather with meer ideal pounds, shillings and pence. The rise of exchange with England and all other countries, was not attributed to the true cause, the want of a fixed staple medium, but to the general bad state of the trade. It was thought that increasing the paper bills would enliven and reform trade. 4

The proposers of the Bank of 1714 were Daniel Lyde, Edward Lyde, John Colman, Elisha Cooke, Jr., John Cullion, Timothy Thornton, Oliver Noyes, William Linn, and Nathaniel Oliver, all of whom were prominent in business and public affairs.⁵ On February 1, 1714, the initial step was taken for organization through an advertisement that appeared in the Boston News-Letter.

Whereas a project is on Foot at Boston for Erecting a Bank of Credit, and a Scheme therefor prepared and approved by a considerable number of Gentlemen and Merchants.

3. "A Proposition for Erecting a Bank of Credit in Boston, New-England Founded on Land Security," Currency Reports, I, 320.

4. T. Hutchinson, History of Massachusetts, II, 184-185.

5. Currency Reports, I, 313-317.

This is to give Notice to any that are desirous to be concerned therein, that Attendance will be given the Two next ensuing weeks at the Exchange Tavern in King's Street Boston, on Tuesday, Wednesday, Thursday and Friday of each week, being the Second, Third, Fourth, Fifth, Ninth, Tenth, Eleventh, and Twelfth Days of February ensuing, from three a Clock in the Afternoon till Six of each Day, to take Subscriptions, in order to the said Project; being humbly presented and laid before His Excellency the Governour, and the General Assembly of this Province, at their approaching Session, for their Consideration, Allowance and Encouragement, if they shall think fit. 6

Although Governor Dudley encouraged the promoters to proceed with the organisation, the Assembly's approval was necessary. This is significant because the lower house had the initial responsibility of supplying the colony with money.

However, government officials were not in agreement as to the proper means of supplying the additional currency. Early in the undertaking, the governor had promised the proposers that he would use his influence to make the bank project a success.⁷ Meanwhile, the petition and scheme had reached the General Court, and a committee was appointed to consider and report on the private bank. The committee's report emphasized the necessity of additional money for trade, but stated that it should be supplied by the government. The Court accepted the report and appointed a committee to consider the issuance of paper money to be

6. Boston Weekly News-Letter, February 1 and 6, 1714, A.S. Davis, Scurrancy and Banking, II, 62.

7. Proposers, "A Vindication of the Bank of Credit Projected in Boston from the Aspersions of Paul Dudley, Esqr. in a Letter by Him Directed to John Burrell, Esqr. Late Speaker to the House of Representatives for the Province of the Massachusetts-Bay in New-England," Scurrancy Reprints, I, 298-299.

learned to the inhabitants by the government. The result of the committee's action was the emission of fifty thousand pounds for the purpose of loans on November 14, 1714.

Three parties were formed at the outset on the question of paper money emissions. The first and smallest party was in favor of drawing in all outstanding bills of credit and depending entirely on silver and gold. A second party, although opposed to the private bank, favored the government issuance of paper money. The third party favored a private bank. The first party because of the opposition from the other parties decided to go along with the idea of government loans to the people through the emission of additional bills of credit. Thus two principal parties emerged. The Assembly was about equally divided but leaned toward the idea of a private bank. This influence in the House was due to the number of representatives from Boston and other towns.

With the lines clearly drawn, a controversy ensued between the proponents and critics of the private bank. On August 20, 1714, the governor and Council ordered the undertakers of the bank scheme not to proceed until the Assembly considered the proposal. Considering the

8. Ibid., 44. Cotton Mather, Diary, Part II, VIII, 296-297. A. A. Davis, Quartermaster and Banker, 22-23.

9. "Some Considerations upon the Several Sorts of Banks propos'd as a Medium of Trade: and Some Improvements that might be Made in this Province, Minted At," Currency Treatise, 1, 337-339. T. Hutchinson, History of Massachusetts, II, 154-156.

10. Proposers, "A Vindication of the Bank of Credit Projected in Boston," Currency Treatise, 1, 300-301.

differences in opinion that prevailed throughout the colony as to the best method of supplying money, this order undoubtedly aroused the participants to debate the bank issue publicly. Thomas Hutchinson stated that "the controversy, had an universal spread, and divided towns, parishes and particular families."¹¹ The most significant pamphlet was written by Paul Dudley, the governor's son and attorney general of the province. He criticized the bank as being detrimental to the welfare of the colony because the new bills of credit would affect the value of the paper money already emitted by the government and contended that a partnership could not be formed without the King's permission.¹² Cotton Mather realized the need for more money to carry on the trade of the colony and urged the government to consider the proposal for the private bank.¹³ An appeal was made to the people in the country in a pamphlet written by an unknown person. It stated that a bank of credit well regulated would be a great advantage to the country and that it could be operated without offense to the Crown. It also explained that a private bank would not "open a door of arbitrary power to invade the liberties of the people, by a Governour handling at his own pleasure such sums as he has occasion to make use of, to promote his own

11. T. Hutchinson, History of Massachusetts, II, 156.

12. Paul Dudley, "Objections to the Bank of Credit lately projected at Boston. Being a letter upon that occasion, to John Durril, Esq; Speaker to the House of Representatives for the Province of the Massachusetts-Bay, in New England," Curran's Annals, I, 241-242.

13. Cotton Mather, Pillar, Part II, VIII, 297.

14
ends." The promoters of the bank of credit expressed
their determination by reprinting the 1688 edition of the
pamphlet that originally set forth a model bank of credit
founded on land security.¹⁵ The following town record
entry indicated that agitation for the private bank prevail-
ed as late as December 12, 1715.

After abt two hours debate in order to know the minds
of the Inhabitants, whether they are for a Publick or Pri-
vate Bank.

It being put to Vote, whether it be the Opinion of
the Inhabitants, that it is best for sd Town to Endeavor
that a Publick Bank be promoted. Voted in the Affirmative¹⁶

The public bank party won the contest. From time to
time the government issued money to be loaned to the people.
Some agitation for a private bank was carried on in pam-
phlets until 1721; however, the government's role as a
bank of credit temporarily quieted the controversy. No
serious efforts were made toward establishing a private
bank until the British government began tightening currency
regulations during the Selacher administration.

14. "A Letter, from One in Boston, to his Friend in
the Country. In Answer to a Letter Directed to John Burdett,
Esqr. Speaker to the House of Representatives, for the
Province of the Massachusetts-Bay in New-England," Currency
Reprints, I, 264, 261.

15. "A Model for Erecting a Bank of Credit; with a
Discourse in Explanation thereof. Adapted to the Use of
Any Trading Country, where There is a Scarcity of Money;
More Especially for His Majesties Plantations in America,"
ibid., 210-237.

16. A Report of the Special Commissioners of the City
of Boston, containing an Account of the Boston Inhabitants,
1701-1715 (Boston, 1704), 235. A Report of the Special
Commissioners of the City of Boston containing the Boston
Record from 1702 to 1715 (Boston, 1715), 115.

The apprehension of the people about the effect of the British measures to regulate the amount of money in circulation was reflected in the contemporary literature and documents. As early as 1731, the anonymously written pamphlet, Money the Sinews of Trade stated that

now His Excellency the Governour is forbid to Emit any more Bills; except for the Use & Support of the Government from year to year, and that to be drawn in again in a very short time by a Tax, that it can be little or no Service to Trade; and there being no prospect of our having a Silver Medium to pass among us, and it being impossible for the People to subsist without some sort of Money, if it were only to purchase the Necessaries of Life from day to day; surely it is high time for us to contrive something to answer the Want of Money: Several ways have been proposed to bring in Silver, but all Attempts that way have proved fruitless, and thro' the Diversity of Opinions in men, none of these Schemes have yet been put in practice: All men seem to be agreed in the main point; that something ought to be done speedily, but the way how, is the Question before us. 17

Governor Belcher in 1733 requested the home government to take some action to relieve the money shortage so that the financial obligations of the colony could be paid. However, the royal instructions remained in force and no relief was offered. A passage taken from a newspaper article revealed the numerous efforts to evade the restrictions imposed by the British.

The Massachusetts and New Hampshire were forbid by the Royal Instructions to their Governour, to emit any

17. "Money the Sinews of Trade. The State of the Province of the Massachusetts-Bay Considered, with Respect to its Trade for Want of a Medium of Exchange wherewith to Manage it. Recommended to the Serious Consideration of the Trading Part in General, More Especially to the Merchants and Traders in the Town of Boston," Quartermaster Magazine, 11, 432-433.

18. Belcher to Lords of Trade, January 13, 1733; Belcher to Lords of Trade, May 16, 1733, Belcher Papers, Part 1, VI, 252, 253.

more Bills, except to a trifling sum. All the bold and repeated Attempts of the Assembly at Boston, for seven Years together, to evade those Instructions, or have them recalled and emit a sufficient quantity of Bills, had been defeated and frustrated. 19

The Boston merchants in 1736, alarmed at the growing scarcity of a medium of trade, instructed their representatives in the Assembly to demand more paper money and to prevent the enforcement of the royal instructions that violated²⁰ their chartered rights. A pamphleteer wrote in 1737,

That Money is wanted, or some other Medium of Exchange, to pass from Man to Man to facilitate our Trade, is allowed by every Body: but how to fix on a Scheme which may be acceptable to all Sorts of Men, will be found very difficult. The People were in Expectation of something being done to Revive and Encourage our dying Trade, or to supply the People with a Medium of Exchange to purchase the Necessaries of Life. 21

"A general dread of drawing in all the paper money without a substitution of any other instrument of trade in the place of it," asserted Thomas Hutchinson, "disposed a great part of the province to favor what was called the²² land bank or manufactory scheme." Richard Fry, a pamphleteer, wrote in 1739 that people were influenced in

their thoughts and actions by the "diabolical Idea of the Year²³ Forty One." Again in 1739 the Boston merchants demanded

19. The Weekly Rehearsal, February 12, 1734, Currency Reprints, III, 35.

20. A Report of the Record Commissioners of the City of Boston containing the Boston Records from 1722 to 1742 (Boston, 1875), 145-147.

21. "A Proposal to Supply the Trade with a Medium of Exchange and to Sink the Bills of the Other Governments," Currency Reprints, III, 154.

22. T. Hutchinson, History of Massachusetts, II, 293-299.

23. The Boston Gazette, May 27, 1739, Currency Reprints, I-I, 273.

their representatives to find some suitable provision for²⁴
supplying a medium of exchange. The people in general
were aware of the anticipated shortage of money caused by
British measures and the merchants in particular were dis-
turbed about the lack of an adequate medium of exchange.

Moreover, the excitement created by the enforcement
of the King's instructions to limit the amount of paper
money in circulation prompted the House of Representatives
to take action. On June 27, 1739, a resolution was passed
"that a committee receive in the recess of the court any
scheme or proposals from any persons whomsoever for the
furnishing a further medium of trade, in such way and man-
ner, as that the value thereof may be maintained."²⁵ This
indicated that the question of procuring a supply of silver
had been dropped and that the Assembly was now attempting
to supply other bills of credit through private means to
replace the province bills being called in.

The resolution passed by the Assembly encouraged a
number of proposals to be presented in pamphlets to the
public. Although the proposers of the various schemes
disagreed about the proper method of securing the value of
private bills of credit, all of them agreed that some de-
vice was necessary to supply additional money for trade.
None of the schemes was revolutionary. One group believed

24. Boston Town Records, 225-229.

25. Journals of the House of Representatives, XVII,

that the only sound way to issue money privately was on the basis of a silver or gold reserve. The other group believed that silver and gold fluctuated in value too much to be a sound basis of paper money. They maintained that lands would offer the best security. Both factions agreed that gold and silver could not be obtained immediately and that the encouragement of manufactures was necessary to prevent the exportation of specie.²⁶

The result of this action by the Assembly was the revival of the land bank scheme by John Colman. His name first appeared on the documents concerned with the proposed land bank in 1714. Again in 1720, he offered the same scheme in a pamphlet, The Distressed State of the Town of Boston. Because of the number and amount of government emissions of paper money from 1714 to 1730, the early plans for a land bank did not materialize. The imposition of British regulations affected opinion to favor some private effort to supply a medium of exchange. The Board of Trade was informed by Governor Belcher on August 13, 1735 that a land bank had been proposed in Boston.²⁷ An unidentified essayist in 1744 presented evidence that John Colman corresponded with Governor Belcher in 1737 about the possibility

26. The New-England Weekly Journal, January 1, 1740, Currency Reprints, III, 289-302. "Broadside issued by the Founders of the Land Bank," Massachusetts Archives, 102, 2^o, Currency and Banking, II, Appendix, 282-283.

27. Journals of the Commissioners for Trade and Plantations from January, 1734-5 to December, 1741 preserved in the Public Record Office (London, 1930), 27.

of organizing a land bank company. Although the governor did not openly favor the proposal, he offered no opposition. It was believed by many that the governor privately approved of the proposition. Following his correspondence with the governor, Colman began soliciting subscribers for the proposed bank. By 1739, the subscription list numbered 395 persons.²⁸ The broadside issued by the Colman group on March 10, 1740 stated that "in order to Redress the distressing Circumstances which the trade of this Province labours under for want of a Medium, other Methods having failed, it is proposed to set up a Bank on Land Security, no person to be admitted but such as dwell in this Province, and hath Real Estate therein."²⁹ According to the articles of the scheme, the stock of the company was limited to one hundred and fifty thousand pounds. Each subscriber agreed to borrow a certain amount of the bank's bills and was required to furnish satisfactory real security. The organization was designed principally for loans secured by land; however, "Artificers and Traders in the Town of Boston, in good Credit, who have not Real Estate to Mortgage, but can give good Personal Security to the Satisfaction of the Directors" could borrow as much as one hundred pounds.³⁰

28. "An Account of the Rise, Progress and Consequences of the Two late Schemes Commonly Call'd the Land-Bank or Manufactory Scheme and the Silver Scheme, in the Province of the Massachusetts-Bay," Currency Pamphlets, IV, 241-244.

29. A.A. Davis, Currency and Banking, II, Appendix A, 261.

30. Ibid., 262.

The purpose of this type of loan was to encourage persons "in their respective occupations."³¹ In order to pay the expenses of organization, a payment of forty shillings on each one thousand pounds was required of each subscriber. Interest on loans was three per cent annually and five per cent of the principal was to be paid into the bank over a period of twenty years. Payments could be made in Manu- factory Notes or hemp, flax, cordage, bar iron, cast iron, linen, wool, copper, leather, sail cloth, nails and other enumerated goods.³² Both the directors and the subscribers were liable for payment of the notes issued by the company. The original wording of the bill to be emitted by the Land Bank was as follows:

We Promise for our Selves and partners to receive this Twenty Shilling Bill or Credit as so much lawful Money, in all payments, Trade and Business and after ye Expiration of Twenty Years to pay ye possessors ye Value thereof in manufactures of this Province.
Boston Ac. 33

But the final form of the note to be issued and signed by the directors and endorsed by Joseph Marion, the person designated as payee of the bank, used the following language:

We jointly and severally Promise for our Selves and Partners to take this Bill as lawful Money at six Shillings and eight Pence per Cunce in all payments, Trade and Business, and for Stock in our Treasury at any time; and after

31. Ibid.
32. "The Articles of the Land Bank," Buffolk Deeds, Vol. 50, Fol. 21, Ibid., Appendix B, 11, 261.
33. Ibid., Appendix A, 11, 266.

twenty Years to pay the same at that Estimate on Demand to Mr. Joseph Marion or Order in the Produce or Manufactures enumerated in our Scheme, for Value received. 34

The value of the bills to be circulated, commonly known as³⁵ Manufactory Bills, was six shillings eight pence. There is no indication in the broadside or the prospectus of the Land Bank that any designated sum of Manufactory Notes would be used for investment in private enterprise; however, a contemporary writer stated that ten thousand pounds was³⁶ set aside for this purpose.

The Land Bank was a highly speculative venture. Manufactory Notes were to be issued on par with silver at six shillings eight pence per ounce. Outstanding province bills circulated at the depreciated value of twenty-eight shillings eleven pence per ounce of silver.³⁷ This would make the Manufactory Notes worth more than four times as much as the province bills then in circulation. The notes to be issued by the Land Bank were not redeemable for twenty years and there was no assurance that they would not depreciate below their nominal value. The prices of the enumerated commodities were not fixed and the redemption value of the notes depended on the market value of the

34. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Currency Reports, IV, 245.

35. A. L. Davis, Currency and Banking, Appendix B, II, 237.

36. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Currency Reports, IV, 245.

37. Ibid., 243-249.

goods on the maturity date. Mortgages could be paid off entirely in commodities, leaving the resources of the partners as the only security for the notes in circulation. An anonymous writer stated,

that the Sum of Notes of hand proposed to be emitted by the Land Bank Company being 1 150,000 to pass as lawful money (that is) equal to 1 200,000 in Bills of Credit of the old tenor, was in it self, exclusive of the badness of the Scheme in other respects, such an insupportable sum, as must not only have vastly depreciated the Company's Bills, but all the other Bills current within the province. 38

The Manufactory Scheme had popular support. One reason for this was the possibility of good returns on investments. Since it was customary to pay taxes in commodities, the method to be used by the Land Bank for collecting interest was familiar to the people. Thomas Hutchinson, who was opposed to the scheme, stated that "perhaps the major part, in number, of the inhabitants of the province openly or secretly were well wishers of it." 39 The encouragement of manufactures which the Land Bank offered and the possibility of lessening imports appealed to the average man in the province. It would appear from the subscription list and contemporary literature that public officials, shopkeepers, traders, and relatives of the governor

38. Ibid., 247.

39. T. Hutchinson, History of Massachusetts, II, 301.

were participants in the Bank. The Bank's popularity was also shown by the fact that towns voted to accept Manufactory Notes to pay taxes. ⁴¹ Representatives to the

Assembly were to be paid in Notes issued by the Bank. ⁴²

The widespread acceptance of the scheme is further emphasized by a pamphlet written in 1741. It stated that

"Numbers of the People called Jessops or Friends, noted for their Sincerity, Industry and good Order, are Partners in this Scheme, and many others (not Partners) in Heart and Practice favour it. Also many Towns take and pass these Notes in Trade and Business, scarce one Man Dissenting, besides paying their Town and Ministerial Rates with it, at least in part."

⁴³ An account of the bank written by an unknown author in 1744 stated that "five Parts in six of the Countrymen, who were not interested in it, were Abettors of it." ⁴⁴ Another indication of the Bank's influence was

40. The New-England Historical and Genealogical Register (104 Vols., Boston, 1847-1990), I, 187-187, 303-317. I. Hutchinson, History of Massachusetts, II, 300. J. Coffman, The Economic Mind in American Civilization, I, 150. H.L. Cogges, The American Colonies, III, 313.

41. The New-England Historical and Genealogical Register, I, 187-189. Muddy River and Brookline Records 1834-1838 By the Inhabitants of Brookline, in Town Meeting (Brookline, Mass., 1835), 187. Records of the Town of Braintree, 1640 to 1703 (Randolph, Mass., 1896), 243. Copy of the old records of the Town of Braintree, Massachusetts from 1634-1710 (Plymouth, Mass., 1893), 256. Town Records of Needham, Massachusetts 1632-1672 (2 Vols., Needham, Mass., 1890), 17.

42. Muddy River and Brookline Town Records, 182.

43. "A Letter to a Merchant in London to whom is directed a printed Letter relating to the Manufactory Undertaking," Massachusetts, IV, 110.

44. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Ibid., 223-274.

the control exercised in the House of Representatives by
the Land Bank party.⁴⁵ By the autumn of 1740, the sub-
scription list swelled to 920.⁴⁶

Soon after the original broadside was published, the
Land Bank was formally organized. The directors chosen by
the subscribers on July 30, 1740, were men prominent in
business and civic affairs. Robert Ankeny and John
Chesle were well known lawyers.⁴⁷ The prospectus of the
Land Bank or Manufactory Scheme was acknowledged before
John Linner, Justice of the Peace, on December 4, and was
recorded in the Suffolk Deeds on December 10, 1740.⁴⁸

In the meantime, another bank group became aggressive.
This group, under the leadership of Edward Hutchinson, a
Boston merchant, published its preliminary proposal in
The New-England Weekly Journal on January 1, 1740.⁴⁹ Ac-
cording to the preamble of the proposed Silver Bank, the
idea was being promoted for the same reason that was given
by the Solman group in establishing the Land Bank.

Whereas the Silver and Gold, which formerly were our
Medium of Exchange, have been exported to our Mother Country,

45. Journals of the House of Representatives, VIII,
113-116. 'An Account of the Rise, Progress and Consequen-
ces of the Two Late Schemes,' Currency Documents, IV, 257.

46. The New-England Historical and Genealogical
Register, I, 179.

47. A. L. Davis, Currency and Banking, II, 134-135.

48. Ibid., Appendix E, 175.

49. Currency Documents, III, 229.

in Payment for the Manufactures we have received from
 France; and for many Years our Affairs and Business, have
 been transacted with Bills of Credit in lieu thereof. And
 forasmuch as the Bills of Credit emitted by the Province
 of the Massachusetts-Bay, are grown scarce, by their Re-
 turn into the publick Treasury, according to the Periods
 that have already arrived, and in a short time the Remain-
 der is by Law required to be brought in, and consumed to
 Ashes; and whereas it seems difficult, if not impracticable,
 so suddenly to procure Silver and Gold, sufficient for the
 Management of our Trade and Commerce. 10

Hutchinson's group decided to issue only one hundred and
 twenty thousand pounds in notes payable in fifteen years
 in silver money at twenty shillings per ounce. Gold coin
 was to be prerated.⁵¹ The following was the form of silver
 note to be issued.

I do jointly and severally promise to pay, to Isaac
 Winslow, Merchant, or Order, in Boston, two Ounces of
 Silver, sterling Alloy, or two penny weight seventeen
 Grains of standard Gold, both coin'd and Troy Weight, by
 the 31st December, 1755, Value receiv'd, Boston, New-
 Engl. 20. the 1st 1, 1740. 12

These notes were to be issued at twenty-eight shillings
 eleven pence, the approximate current value of the prov-
 ince bills of credit.⁵³ In order to defray the expenses
 of the organization each subscriber for one thousand pounds
 was to pay 200 ounces in silver or six ounces in gold an-
 nually.⁵⁴ The most significant article of the proposed

50. The New-England Weekly Journal, January 1, 1740,
 111., 279.

51. W.M. Davis, Summary and History, Appendix C,
 11, 177.

52. 1111., 279.

53. 'An Account of the Plan, the Progress and Consequences
 of the Two late Bubbles,' Summary, 1111., IV, 246.

54. The New-England Weekly Journal, January 1, 1740,
 111., 111, 271.

scheme was the one concerned with loans. The Directors stated that either personal or real security would be acceptable.

If it be personal, there shall be two sufficient Sureties with the Undertaker or Borrower, all jointly and severally: If the security be real, it shall be land, worth, at least, double the Sum it is mortgaged for, exclusive of all Buildings, and other things, being and growing upon it, and the Mortgage as a collateral security for the payment and discharge of those fifteen Bonds: If the Mortgagor be a Borrower of Silver or Gold, herein after mentioned to be let out, he shall give his personal Bond for the same, and his Mortgage as a collateral security for discharge of his Bond. 55

Each subscriber was obliged to indemnify the Directors of the Bank against any damage or loss sustained in redeeming notes or any act or acts by the government they might be forced to comply with.⁵⁶ Another important factor in the articles describing the Silver Scheme was the refusal to recognize the bills of other colonial governments or any notes emitted by the first Bank.⁵⁷ People indebted to the company were at liberty to pay the interest due on loans in various commodities instead of gold or silver. Commodities were to be liquidated by the Directors for gold and silver. Silver Notes were to be received in trade and for payment of debts according to the following rates.

- 55. 1848., 252.
- 56. J. J. Davis, *Commerce and Banking*, Appendix C,
- 11, 279-280.
- 57. 1841., 252.

1741	an ounce of silver at the rate of	23s 4d
1742	" " " " " " " "	27s 9d
1743	" " " " " " " "	21s 2d
1744	" " " " " " " "	20s 7d
1745	" " " " " " " "	26s 6d 58

This is a partial illustration to show the sliding scale of appreciation of seven pence per year and the annual exchange rates of Silver Notes. This yearly reduction was to continue until 1755 when the bills would be redeemable at twenty shillings. Appreciation of the bills in this manner amounted to a low rate of interest.⁵⁹

The Silver Bankers consisted of 106 subscribers including some of the most prominent merchants of Boston. In addition to the founder of the Bank, Edward Hutchinson, a committee was to manage the business; Samuel Welles, James Bowdoin, Samuel Sewall, Hugh Hall, Joshua Winslow, Andrew Oliver,⁶⁰ Edward Quincy, Thomas Cornard and James Boutinseau.

While organization of the schemes was progressing, the colonial government took action. As early as March 12, 1739, the Council, influenced by the opposition shown by the merchants to the Land Bank, passed a resolution for raising a committee of both Houses to inquire into and report on both the Silver Scheme and the Land Bank. The House of Representatives and the governor accepted this

58. Ibid., 224-225.

59. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Currency Reprints, IV, 246-249.

60. Journals of the House of Representatives, XVIII, 17. A.R. Davis, Currency and Banking, Appendix C, 11, 270.

recommendation. The committee submitted the following report on the Land Bank on March 20.

That the Notes proposed to be issued by Mr. Colman's Scheme were upon so slender a Foundation, that the Circulation of them among the People of this Province might have a great tendency to depreciate the Bills of Credit already circulating, and consequently endanger his Majesty's good Subjects as to their Property;

And with regard to the Silver Scheme,

They were of the Opinion that although some such Projection might be serviceable, unless a better Medium of Commerce might be found out for the People of this Province, under their then distressing circumstances, yet they apprehended it most convenient that all farther Proceedings thereon should be stayed 'till this Court might again meet and consider that Affair. 61

As a result of this report, the Assembly and Council prohibited both groups from any further activities but further consideration was to be given to their proposals at the next session. On April 4, Governor Belcher issued a Proclamation reiterating the substance of the resolution passed by the Houses. The proclamation was not taken seriously by the people, because it was generally understood that the governor approved and encouraged the Silver Bank. 62 Both proposals were read to the House of Representatives on June 4, 1740, but were tabled. A petition against Colman's Bank was presented by a group of agents for merchants in

61. 'An Account of the Rise, Progress and Consequences of the Two late Schemes,' Currency Reports, IV, 252. 'A Second Letter to a Merchant in London, Concerning a Late Combination in the Massachusetts-Bay in New-England, to Impose or Force a Private Currency, called Land-Bank-Money,' ibid., IV, 115.

62. ibid., 252-254.

Great Britain. The Council voted on June 12 that the bank schemes be considered by a joint committee. However, further consideration was postponed until June 13 when a number of petitions were presented for and against the Land Bank. The petition on June 4 was read again before the House, and additional petitions favoring the Land Bank came from Ipswich, Boston, and Middlesex County.⁶⁴ In approving of the Land Bank scheme, the Ipswich petition declared that

It will greatly tend to industry & to increase our home manufactures & by degrees bring the Balance of Trade in our favour, the Contrary of which (as we take it) & as we think might be (as it proves) in the main Cause & has all along been so of sinking the Credit of Paper Money, & on this account, May it please Yr Excellency & Honour, we with Submission deem it preferable to any Emission of the form that the country has ever yet had, in the following Respects.

For that, whereas former Emissions not being calculated to encourage our own Manufactures, but to enable the Merchants and Factors to carry their foreign Trade, &c. to an unequal & overbearing pitch, the following ill effects have been produced, as

The Silver (of which we had once enough), was all sent home, to make Remittances.⁶⁵

Individuals appeared before the House with arguments for and against the Land Bank.⁶⁶ No action was taken by the joint committee, but on the nineteenth the Assembly acted independently on a resolution. By a vote of fifty-nine to thirty-seven, the House declared that persons concerned with the bank schemes should not be forbidden to issue

63. Journals of the House of Representatives, XVIII, 24.

64. Id., 44-45.

65. Massachusetts Archives, 102:44, Thomas Franklin Waters, Ipswich in the Massachusetts Bay Colony (2 Vols., Ipswich, Mass., 1917), II, 154-157.

66. Journals of the House of Representatives, XVIII, 44-46.

bills of credit. This was the first time that the representatives permitted their names to be recorded for or against the Land Bank. The minority group consisted principally of men who had always opposed paper money. Moreover, the vote showed the growing numbers and influence of the Land Bank party.

Alarmed at the independent proceedings of the House of Representatives the principal merchants in behalf of themselves and the merchants of England called upon Governor Belcher to prevent the execution of the Land Bank. Although the governor promised to take action, he did nothing before the Assembly adjourned. However, while the Assembly was in recess, the governor issued a second proclamation,

giving Notice and Warning to all his Majesty's Subjects of the Danger, they were in from the Land Bank scheme and cautioning them against receiving or passing its Notes, as tending to defraud them of their Substance, and disturb the Peace and good Order of the People, and give great Interruption, and bring much Confusion into their Trade and Business. 67

Since the first proclamation was issued by the governor with the approbation of the Assembly, it seemed obvious that the second proclamation would have little effect on the progress of the Bank. By July, 1740, "a great Majority of the House of Representatives, and the general Sent of the Country" had now expressed their support of the Land Bank. 68

67. 1741., 125-126. "A Second Letter to a Merchant in London, 1741., IV, 116.

68. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Gazetteer, 1741., IV, 259.

69. 1741., 250.

The merchants who had requested the intervention of the governor became dissatisfied with his behavior and expressed their resentment in letters to Agents in London applying to Parliament for suppression of the Land Bank. A contemporary writer claimed,

That the Governour had deceiv'd the Merchants by breaking his promise to them that the Assembly should not rise till he had made a Speech to them in Favour of their Memorials, and exposed the Scheme, which he had often in Words condemned, but not done any thing, except issuing out a proclamation, which he knew would signify nothing but to amuse the Vulgar; that had he exposed the Scheme publicly in the Assembly as he ought to have done and promis'd he would, they verily believed it would have had the desired Effect. 70

While the governor was being petitioned by the merchants, he had before him the task of choosing officers to command companies to be sent on an expedition to the Spanish West Indies. Although the list of possible candidates presented a wide latitude of choice, the second appointment made by Governor Bulmer was Major Sam Wise, a taylor in Ipswich and a representative of the town. He was publicly known as a subscriber to the Land Bank and to have voted in favor of it in the House of Representatives. A contemporary account of the incident stated that the appointment was far from denoting the governor's displeasure against the promoters of the Bank. 71

70. Ibid.
71. 1811., 250-252. T.F. Waters, History of Ipswich, II, 150.

Further action was not taken until the Assembly convened. The House met August 20 but not until September 12, the last day of the session, was the governor sufficiently disturbed by the dissatisfaction of the merchants and their application to Parliament for an act to suppress the Land Bank. In a speech delivered to the Assembly the governor recommended "a strict inquiry into the Nature of those Schemes by a Committee of that Court in its Access, and in the mean Time to prohibit any farther Irregularities in them without Leave from the Government, which might prevent great Confusion and Loss in the Estates and Trade of the Province."⁷² A debate on this question was held in the House and it was voted that a committee should not be appointed to inquire into the nature of the schemes or forbid them to proceed.⁷³

In the meantime, both Banks had reached the final stages of organization. The Land Bank Company was organized on July 30, 1740, and issued 40,125 pounds in Manufactory Notes on September 19. The Silver Scheme promoters formed a company and chose their officers. On August 1, the Silver Bank began the emission of one hundred and twenty thousand pounds in Silver Notes.⁷⁴

72. Journals of the House of Representatives, XVIII, 125-126. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Guacener Account, IV, 243.

73. Ibid. Journals of the House of Representatives, XVIII, 149.

74. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Guacener Account, IV, 252.

After the first Manufactory Notes and Silver Notes were issued, the governor began to take a more determined stand in regard to the banks. This can be accounted for in part by the additional instructions from the King directing him not to give assent to any act for emitting bills of credit without the approval of the home government. These instructions originated in the House of Commons during an investigation of the state of paper currencies in the colonies.⁷⁵ Governor Belcher was also advised that⁷⁶ protests had been made to Parliament about the Land Bank. Governor Belcher reported on the colony's money affairs to the British government on October 30, 1740. He expressed hope that Parliament would act on the regulation of paper currency and prohibit any companies or combinations from issuing additional bills of credit.⁷⁷ Again on November 17, the governor reported to the Lords of Trade that he and the Council had agreed to the Silver Bank proposal when the directors altered the original articles by guaranteeing to give silver or gold for the Silver Notes on demand or to pay any difference in the price of silver purchased elsewhere. He stated further that he attempted to

75. Ibid., 265, 270. Journals of the House of Representatives, XVIII, 197-198.

76. Belcher to Lords of Trade, November 17, 1740, Belcher Papers, Part II, VII, 340-349. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Currency Reports, IV, 270.

77. Belcher to Duke of Newcastle, October 30, 1740. Belcher to Lords of Trade, November 17, 1740, Belcher Papers, Part II, VII, 340-341, 348-349.

prohibit both schemes, but this failing, an agreement was
reached with the Silver Bankers.⁷⁷ On January 14, 1741,
Governor Belcher again requested the British government to
take action against the schemes for emitting bills of
credit and stated "they will be a more fatal consequence
to the plantations than the South Sea bubble was in the
year 1720 to Great Britain."⁷⁸ At the same time, Governor
Belcher was in contact with Richard Partridge, a colonial
agent in London. The agent favored the Land Bank and
worked in behalf of the scheme in the performance of his
duties.⁷⁹ Richard Partridge was a brother-in-law of Govern-
or Belcher and their correspondence disclosed their mutual
admiration.⁸⁰ William Shirley, the successor to Governor
Belcher, stated that the "bad spirit rais'd throughout the
Country by the Land Bank Scheme, by means of its being
conniv'd at here in its first rise, remaining uncheck'd
so long, that the imprudent manner of endeavouring to check it
here afterwards by those who were at the same time endeav-
ouring to support & countenance it at home thro' Mr.

77. 1741. "An Account of the Rise, Progress and
Consequences of the Two Late Schemes," Supplemental,
IV, 263.

78. Belcher to Lords of Trade, January 14, 1741,
Belcher Papers, Part II, VII, 319-320.

79. Belcher to Richard Partridge, January 26, 1741,
1741, 353-354. "An Account of the Rise, Progress and
Consequences of the Two Late Schemes," Supplemental,
IV, 275.

80. Belcher to Partridge, January 25 and 26, 1741,
Belcher Papers, Part II, VII, 317-318, 353-354. T. Hutch-
inson, History of Massachusetts, II, 234.

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Partridge, only inflated it." Although not known to be affiliated with either bank, Partridge's conduct in attempting to prevent British action against the Land Bank would indicate some private or secret attachment on his part to the Bank.

British mercantilist policies forced Massachusetts to find some independent means of supplying a medium of exchange to carry on the trade of the colony. The climax of the long struggle for an adequate supply of money was the establishment of the Land Bank and Silver Scheme. Although the Silver Scheme existed as an alternative to the Land Bank as a method of supplying money to the colony, the Land Bank held out a number of attractions for the majority of the people. The most important of these was land secured loans, which appealed to the land owners, who comprised most of the population. The possibility of a good return from investment and the encouragement of manufactures also drew many supporters. Although the Land Bank had a short and stormy existence, it represented the determination of the colonists to solve their own problems in spite of British controls. Opposition to the Bank came principally from a few influential men in the colony and England. This opposition was mainly responsible for an act of Parliament

83. William Phipsley to Duke of Newcastle, August 23, 1741, Massachusetts of William Phipsley Governor of Massachusetts and Military Governor in 1741-1760 (ed. Charles Henry Lincoln [2 Vols., New York, 1912]).

that was to suppress both schemes. The act to suppress the private banks and the effects of this unprecedented measure must be dealt with in some detail in another chapter.

THE BANK BILL

Two Shillings. (90)

WE JOINTLY and SEVERALLY,
for our SELVES and PARTNERS, promise
to take this Bill as Two Shillings, lawful
Silver Money, at Six Shillings, and Eight Pence
per Ounce, in all Payments Trade and Business, &c.
for Stock in our TREASURY at any Time, &c.
to pay the same at that Estimate on Demand, to
Mr James Sweetth or Order, in the Produce
or Manufactures enumerated in our Scheme; as
recorded in the County of Essex's Records, for Value
Rec. Dated at Ipswich, the First Day of May,

1741

2 s

2 s

Edm Sherrin



Jonathan Hale

Robert Monte

Edward Sweetth

IV. The Closure and Its Effects

The unsuccessful and belated efforts of colonial officials to cope with the problem of the Land Bank forced parliament to act. This unprecedented action by England against a business enterprise that involved some of the most prominent men in Massachusetts and a majority of the colonists resulted in discontent and concern about their liberties under the Crown. England's mercantilist policies, particularly the control exercised over the finances of the colony, provided the chief motive for organizing a private bank to supply a medium of exchange. The closing of the Land Bank penalized colonists who were sincere in their efforts to avert the anticipated money shortage that would result from British restrictions.

Because of Belcher's determination to enforce the regulations in regard to the issuance of paper money, the state of affairs in the colony reached a precarious stage by the end of 1740. The Assembly defied royal instructions by not calling in outstanding bills of credit. Money was needed for the annual expenses of the government, but the Assembly refused to act until the instructions to the governor were rescinded. The representatives requested the home government to recall the regulations concerning the money supply but their requests went unanswered.¹

1. Belcher to Lords of Trade, January 14, 1740, Belcher Papers, Part II, VII, 256-257.

At the same time, the opponents of the Land Bank Scheme presented their grievances to the British government. On October 29, 1740, several merchants concerned with New England trade presented a petition to the Board of Trade. According to the petition, the merchants were disturbed about the interruption and confusion of trade that would result if the Land Bank were established.² This action was undoubtedly prompted by Belcher's vacillation regarding the Scheme and his reluctance to take immediate steps to end the operations of the Land Bankers.

As a result of the merchants' protests to the British government, Belcher made a determined effort to discourage participation in the Land Bank. Thomas Hutchinson was sent to London with orders to urge parliament to obstruct the proceedings of the Land Bank.³ Governor Belcher issued a proclamation on November 22, 1740, threatening to dismiss any civil officers who encouraged the circulation of Manu-
factory Notes. On the following day the proclamation was extended to include military officers.⁴ Even lawyers were compelled to relinquish their rights. The Council on January 17, 1741, voted "that no person shall be admitted to

2. Journals of the Commissioners for Trade and Plantations preserved in the Public Record Office (12 Vols., London, 1826-1838), 1738-9 to 1741, 341. Hereafter cited Journals of the Board of Trade.

3. Belcher to Duke of Newcastle, October 30, 1740, Belcher Papers, Part II, VII, 340-341.

4. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Surrey's Remains, IV, 271-273.

appear and plead before this Board as an attorney and counsellor at law, on any pretence, whatsoever, who shall pass, receive or give encouragement to the bills called Land Bank or Manufactory Bills, but that notice be given hereof in the public prints."⁵ The significance of this order was that any lawyer who participated in the exchange of Land Bank money would not be able to administer wills and estates before the court; consequently, the activities of the Bank receiving mortgages were endangered.⁶

The reaction of public officials to the governor's measures showed the determination of the people to continue their support of the Land Bank. Early in November, 1740, numerous resignations were made before the governor could take any action. William Steadford, a justice of the peace, tendered his resignation on November 5.⁷ Samuel Adams and John Choate resigned their civil commissions on November 10.⁸ Henry Lee, a justice of the peace from Worcester, showed contempt for the actions of the governor. He said,

I am determined to do what I can to encourage it [Land Bank] and think that the privilege of an Englishman is my sufficient warrant therefor. As I act to my conscience, I regard being punished any way for differing in my opinion from the Council, to be civil prosecution, and to be deprived of my office until I be proved unfaithful in it, or have violated the laws of the land, I look on as an invasion of my native rights.⁹

5. MASS., 273.

6. MASS., 272.

7. A.M. Davis, Surrenden and Baskin, 11, 143.

8. Massachusetts Archives, 132:36, L. J. Waters, History of Norwich, 11, 137-138.

9. A.M. Davis, Surrenden and Baskin, 11, 151.

Those who had not submitted resignations were dismissed

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from office. Another supporter of the Bank, Andrew Burley of Ipswich, was requested to appear before the governor and Council for violating the recent proclamations. He failed to comply with the order. In a letter to the governor, he expressed his determination to continue giving 11 encouragement to the circulation of Land Bank money.

The stringent measures imposed by the governor and Council engendered agitation among the people concerned with the Bank. On May 9, an order issued by the Council declared that,

Information has been given of a Combination of many ill-minded Persons in several Towns within the Province to come in a tumultuous and seditious Manner into the Town of Boston, in order to force the Surrender of the Land Bank Bills; and thereupon ordering that the Members of the Board then present, who were Justices of the Peace throughout the Province, should issue out their Warrants for apprehending the Persons or some of the Principal of them, that were represented as concerned in that Design. 12

Governor Belcher expressed fear that these plans to march 13 on Boston would result in rebellion. Although the motives for this conspiracy are vague, it would appear that the Land Bankers were beginning to experience difficulty in procuring security to issue their notes. It was believed that owners of stores of grain in Boston could be forced to

10. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Surrey Journals, IV, 271-273.

11. T.F. Waters, History of Ipswich, II, 152-159.

12. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Surrey Journals, IV, 284.

13. Belcher to Thomas Hutchinson, May 11, 1741, Belcher Papers, Part II, VII, 338.

exchange their grain for Land Bank money.¹⁴ Another factor was the resentment of the Land Bankers to the partiality shown to the Silver Scheme by the governor and Council.¹⁵ Nothing resulted from this affair, but it is significant¹⁶ in showing the influence of the Land Bank.

While the Land Bankers were attempting to force the circulation of their paper money, local efforts were made to establish banks. Outstanding in these attempts was the establishment of the Land Bank at Ipswich.¹⁷ Edward Eveleth, John Brown and Ebenezer Stevens petitioned the General Court¹⁸ to approve the venture but were refused. However, there is evidence to indicate that notes in small denominations¹⁹ were issued May 1, 1741.

The unsettled conditions of the colony were reflected in the relations of the governor and Assembly. Probably because of the reports of possible uprisings, the governor dissolved the Assembly on April 22, 1741.²⁰ A new House of Representatives convened on May 27, and had an

14. A.M. Davis, Currency and Banking, II, 153-155.
15. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Currency and Banking, IV, 204.
16. *Ibid.* A.M. Davis, Currency and Banking, II, 155.
17. H.L. Cogswell, The American Colonies, III, 357.
18. T.F. Waters, History of Ipswich, II, 159. A.M. Davis, Currency and Banking, II, 156-157. H.L. Cogswell, The American Colonies, III, 357.
19. Journals of the House of Representatives, XVIII, 213.
20. T.F. Waters, History of Ipswich, II, 159.
21. A.M. Davis, Currency and Banking, II, 156-157.
22. Journals of the House of Representatives, XVIII, 204.

overwhelming majority of Land Bank partners and sympathizers. The House proceeded with the business of the session by naming as their speaker Samuel Watts, a director of the Land Bank. Governor Belcher disapproved of their choice and the House then named William Fairfield, an abettor of the scheme. This appointment was approved by the governor but knowing the temper and sentiment of the House, he dissolved it on May 23.²¹ Although William Shirley had been appointed to succeed Jonathan Belcher as governor of the province, the new governor's commission had not arrived by the next session of the Assembly set for July 8. Governor Belcher hoped that the time that elapsed between the two sessions would help in quieting the sentiment aroused over the Land Bank. However, when the House met on July 8, the Land Bank party had increased. Again the House chose a Land Bank director, John Choute, as their speaker. When the governor disapproved his appointment, the House appointed John Hobson, who was sympathetic toward their views. Before William Shirley's commission arrived, the House elected the civil officers for the ensuing year. Among the new officers were Samuel Watts and Robert Hale, who were directors of the Bank. The Council had recently dismissed these men from their offices for having participated in the Land Bank. Although Belcher had disapproved

21. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Canadian Magazine, IV, 235-256.

22. Journals of the House of Representatives, XII, 1-5, 9.

their appointments only two months before, he now reversed his decision. It is possible that his conduct in this matter was prompted by his desire to leave his term of office in the good graces of the people.²³

Considering the difficulties and repercussions that resulted from the efforts of colonial officials to suppress the Land Bank, the attitude of the British government toward such an enterprise is significant. The Commissioners for Trade and Plantations received a letter from Governor Belcher on August 17, 1735, relating to a proposal for a land bank in Boston. A brief of the case concerning the bank was given to Wilks, the attorney general, for his opinion on what action could be taken to prevent its being established.²⁴ On November 10, 1735, the attorney general reported his opinion on the case of the private bank to the commissioners. The report was worded in the following manner: "In obedience to your Lordships' commands signified by Mr. Popple [Secretary of the Board], I have considered the scheme which you was pleased to send me for erecting a sort of Bank at Boston in the Massachusetts Bay, and can see no objection thereto in point of law."²⁵

23. Ibid., 2-3. "An Account of the Rise, Progress and Consequences of the Two Late Schemes," Governor Belcher's, IV, 235-237.

24. Journals of the Board of Trade, 1734-5 to 1741, 57.

25. "Report of the Attorney-General to the Lords of Trade on the Scheme of erecting a Land Bank in Massachusetts," Fifth Report of the English Historical Manuscripts Commission, Appendix, 222, W. A. Davis, Supremacy and Bank-Ing, II, 154-155.

This opinion suggests that the contracts and operations of the Land Bank of 1740 were legal at the time it was established.

The bank project received no other consideration until the critics of the Land Bank requested the intervention of the British government. A group of merchants on October 29, 1740, petitioned the Board of Trade. Upon the advice of the Privy Council received January 26, 1741, the Board of Trade instructed Governor Belcher "to give all possible discountenance to a scheme, lately projected and published at Boston, called the Land Bank, for emitting £ 150,000 in Bills of Credit, and to give all possible discouragement to any Banks of the like nature, that may be attempted to be set up in the said province."²⁶ This weak effort on the part of the British government failed in accomplishing its purpose.

As a last resort in an effort to close the Land Bank, the merchants presented their grievances to parliament. A petition from several merchants interested in the trade of the province was read before the House of Commons on February 11, 1741. According to the petition, the English merchants were alarmed about the large amount of Land Bank money that would be added to that already in circulation. They believed this additional paper money would threaten

²⁶. Journals of the Board of Trade, 1734-5 to 1741, 356, 371.

their accounts in Massachusetts, and expressed their regret that no positive action was taken against the Bank. The petitioners suggested that such a project, if established in England, would be an offense against the act of the sixth year of his late Majesty King George the first. This act, commonly known as the "Bubble Act", declared all joint-stock companies having transferrable shares illegal without the consent of parliament. The act became effective June 24, 1720. One of the purposes of this act was to secure a monopoly of the stock market for companies incorporated by the British government. All transactions of a company not incorporated by law were void and punishable as a public nuisance. Offenders were liable for treble damages to any merchants who suffered in trade with such a company.²⁷ The attorney general and solicitor general, when asked if the "Bubble Act" extended to the American colonies, replied that only a new law could effectually suppress the Land Bank.²⁸ As a result of the governor's persuasive letters to the home government and the efforts of the opponents of the Land Bank, "an act for restraining and preventing several unwarrantable schemes in the

27. The Statutes at Large of England and of Great Britain from Magna Carta to the Union of the Kingdoms of Great Britain and Ireland (20 Vols., London, 1811), XIII, 322-338. Hereafter cited Statutes at Large of England.

28. Journals of the House of Commons, XXIII, 645. A.M. Davis, Currency and Banking, II, 166. H.L. Osgood, The American Colonies, III, 358.

"American plantations" was approved by the King on April 25, 1741.²⁹

It would appear that parliament perverted the intent of an old law to bring the Land Bank to an end. The opinions handed down by the attorney general on two occasions would indicate that the Land Bank was considered a legal undertaking. However, when pressure was exerted to suppress the scheme the lawmakers of Great Britain were forced to turn to the statute books and find a law they thought would be applicable to the private banks established in the colony. The Land Bank could hardly be called a joint-stock company with transferable shares. The act of parliament referred to concerned selling stock for large sums of money. According to the charter of the Land Bank, payment for subscriptions was made in land and interest was paid in the form of commodities. Moreover, there was no attempt by the Land Bankers to make Manufactory Notes legal tender.³⁰

The gravity of the situation became more pronounced when news reached the colony about the action of parliament. Although the act was made known to the Land Bankers in May, 1741, there is no indication that any steps were taken to close the bank. Nevertheless, it is believed they stopped the issuance of bills about this time.³¹ The new governor,

29. Journals of the House of Burgesses, 1741, 740, A.M. Davis, Supremacy and Liberty, II, 113-115.

30. Statutes at Large of Virginia, I, 741-746. A.M. Davis, The American Colonies, II, 353.

31. Manufactory Notes, 1741:171. A.M. Davis, Supremacy and Liberty, II, 110.

William Shirley, used all his tact and diplomacy to bring tranquility to the province and obedience to the act of parliament.³² "As to the Temper of the People at that Time," wrote a pamphleteer in 1744, "the Land Bank Party, which was very numerous throughout the province, were irritated and inflamed to such a Degree, that they seemed ripe for Tumult and Disorder; they had persuaded themselves that the Act of Parliament could not be carried into Execution."³³ John Adams later wrote that "the act to destroy the Land Bank scheme raised a greater ferment in this province than the Stamp Act did."³⁴ Considering the independence displayed by the people on other occasions concerning problems of the colony and the widespread influence of the land bank party, the use of parliament's power in this situation is particularly significant.

One of the chief problems that required the governor's immediate attention was that of restoring good relations among the three branches of the provincial government. Governor Shirley had the task of gaining the support of the leading members of the Land Bank party. The governor accomplished this job so well that by September 23, 1741, the directors and partners of the Land Bank voluntarily held a

32. William Shirley to Duke of Newcastle, September 15, 1740, Shirley Correspondence, I, 61.

33. "The Cause of the Late, Increase and Consequences of the Two Late Bankers," Supplement to the Boston Gazette, IV, 217-220.

34. The Works of John Adams, Esq., President of the United States, ed. Charles Francis Adams [10 Vols., Boston, 1851], IV, 49.

meeting at Hilton for the purpose of dissolving the company. A committee was chosen with power to draw in all outstanding bills, to audit and settle the company's accounts, and to destroy the engraver's plates. On September 28, 1741, the directors made the following entry in the books of the Land Bank company.

We the Subscribers having been concerned in the Manu-
factory Scheme lately erected in London on Land Security,
which the partners is voted to be dissolved, do hereby pub-
licly declare that from this time forward we do desist
from, give up, and relinquish, and wholly forbear to act
further therein, or directly or indirectly to carry on the
same. 35

The declarations to end the operations of the Land Bank was
obtained only by a vote of a bare majority. The Bank closed
its doors, but the vote indicated that many members were not
ready to accept the action taken by parliament. 36

The closing of the Land Bank left the directors and
subscribers without recourse. All contracts and securities
were declared null and void and the project was to be aban-
doned by September 29, 1741. Every person concerned in the
Scheme was subjected to the demands of persons holding the
Manufactory Notes. 37 Many of the directors and partners
redeemed and destroyed their quotas of the bills. However,
a number of men implicated in the Scheme refused to redeem
bills and settle their accounts because they contended the
act of parliament voided all contracts. Even if a partner

35. 'An Account of the Rise, Progress and Consequences
of the Two Late Schemes,' Quarterly Magazine, IV, 223-264.

36. Ibid.

37. Ibid. Shirley to Lords of Trade, April 30, 1741,
British Correspondence, I, 34-35.

submitted to bearing his share of the loss arising from the Bank's transactions, he was also liable for the obligations that other participants failed to meet. Some possessors were so alarmed at this reluctance to redeem bills issued by the company that they threatened to sue all partners for the losses they sustained. In March, 1742, the Land Bankers who had been prompt in settling their affairs feared that further damage to their estates might result from this discontent. A joint committee of the colonial legislature was appointed to adjust and audit the accounts of the participants of the Land Bank and force immediate payment of their obligations. Governor Shirley approved of the objectives of the committee, but he failed to give his consent because he believed this action would violate the act of parliament and recognize the validity of the Land Bank contracts. The governor suggested instead of this procedure that a legislative committee be appointed to inspect and report to the Assembly the proportion of notes that each partner was responsible for and what quantities were redeemed and destroyed. When the committee reported their findings, the General Court passed a vote of censure against the delinquent partners. By September, 1742, the quantity of Manufactory Notes outstanding was reduced to about eleven thousand pounds, and six hundred partners had obeyed the act of parliament. On an order

from Governor Shirley, the Council directed the attorney general to prosecute all delinquent partners.³⁸ Because of the governor's opposition to the Assembly's passing any law conflicting with the act of parliament, it was difficult to pass any laws to protect the directors and partners from abuses imposed by possessors of Land Bank bills that had not been redeemed. The Assembly acted in 1743 and 1744 to bring about a speedier and more equitable finish to the Land Bank Scheme. After several attempts to obtain the approval of such acts, the Assembly was finally successful. These acts passed by the Assembly provided for a commission to facilitate the drawing in of outstanding bills and to levy assessments on the participants of the Bank according to the amount they had originally invested. This provided a means of distributing the losses resulting from settling the accounts.³⁹ As late as 1753, assessments were still being made by the commission against the participants or their estates.⁴⁰

Province bills of credit continued to depreciate during and after the episode of the bank scheme. All the bills that were extant in 1736 were to be drawn in to the treasury

38. Shirley to Duke of Newcastle, September 15, 1742, Shirley Correspondence, I, 89-90. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Currency Reports, IV, 310-312.

39. Shirley to Lords of Trade, January 30, 1743; Shirley to Lords of Trade, November 7, 1743, Shirley Correspondence, I, 92-93, 107-111. "An Account of the Rise, Progress and Consequences of the Two late Schemes," Currency Reports, IV, 313-319.

40. T.F. Waters, History of Ipswich, II, 162-164.

by 1741 according to royal instructions. At that time, a new form of bill was issued for the expenses of the government. These new tender bills were to be circulated at six shillings eight pence, the value of an ounce of silver. The paper money issued under this new form was to be called in by 1742 through taxation. However, when the year 1742 came, the Assembly aware of the difficulties that would result from drawing in all the bills without ample silver and gold to take their place refused to levy taxes. When William Shirley became governor he recommended that taxes be apportioned to draw in the paper currency but the Assembly again refused. This inaction by the Assembly effectually destroyed the security of the bills and the procedure of postponing the drawing in of outstanding bills began anew. In 1743 another act was passed to issue additional bills of credit for the charges of the government and they were to be payable in 1746 at six shillings eight pence. One bill was to be equal to about four old province bills that had depreciated to over twenty shillings per ounce of silver. This method of issuing paper money, and postponing the date for drawing it into the treasury, and the exorbitant sums issued for the defense of the colony and the expeditions to Cape Breton and Louisbourg increased the amount of cheap money in circulation. Paper money depreciated so fast that in 1749 the value had dropped to about sixty shillings per ounce of

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silver.

The beginning of a sound currency policy in Massachusetts was founded on the specie grants voted by parliament for the expenses of the Cape Breton and Louisbourg expeditions. Governor Shirley urged the setting aside of this specie to redeem the outstanding paper currency. Upon his recommendation, an act was passed by the General Court abolishing all outstanding bills of credit by 1750 and making silver currency the medium of exchange. Although this redemption of specie was objected to by many people, the process was carried out. The principal objection was that the rate of redemption was below the value of the paper money when it was issued.⁴² When the act to convert the paper money to silver became effective, the currency of other colonial governments was outlawed in Massachusetts. In 1751 an act was transmitted to Massachusetts by the Lords of Trade to regulate and restrain the issuance of paper money. The regulation also prohibited the use of paper money as legal tender.⁴³

The closing of the Land Bank and the regulation of paper money clearly indicated the increasing control of the

41. "A Brief Account of the Rise, Progress, and Present State of the Paper Currency of New England. And of Measures taken by the Massachusetts Province for establishing a Silver Currency for the Future, Together with Some Proposals for rendering these Measures more Effectual," Governor Bernini, IV, 302-337. T. Hutchinson, History of Massachusetts, II, 335-336.

42. Ibid. Shirley to Duke of Bedford, January 31, 1740; Report of the Board of Trade, May 11, 1747, Shirley Correspondence, I, 462-463.

43. Journals of the Board of Trade, 1749 to 1750, 211, 215.

colony by England. The reaction to these measures showed the colony's concern about control. Parliament's action was accepted by some, but the majority of the people were alarmed and fearful that their liberties, one of which was the control of currency measures, were being infringed upon by the home government. The Assembly's refusal to supply money for the expenses of the government and the sentiment aroused over British instructions curtailing the issuance of bills of credit showed the colonists' jealousy of one of their important rights. Attempts of the colony to alleviate the distress caused to the participants of the Land Bank were frustrated by the governor's observance of the act of parliament. Hard money was reluctantly accepted, but the repercussions of the period left a legacy of ill-will and doubt as to how far the power of parliament would be extended in controlling the affairs of the colony.

V. Conclusion

The story of paper money and private banking revolved around the needs of an expanding British Empire. In the process of growth that meant involvement in wars and the support of an industrial economy, the need of specie was a most significant factor. Massachusetts, as well as other colonies, offered a solution to this problem. British policies concerning the colony and changes in agricultural economy and discouraged any enterprise that might interfere with the land's well-being. Massachusetts, the center of trading activities for New England, was a flourishing market for British goods. England's attitude of indifference toward the economic stability of the colony except when it pertained to her own glorification, resulted in the collapse of the colonial financial structure.

Massachusetts played a leading role in the struggle to supply an adequate medium of exchange. The extreme shortage of money is disclosed by the acceptance of commodities for payment both in trade and the government. Various attempts to overcome this shortage, such as the mint, the revaluation of foreign coins, the encouragement of manufactures, and laws to prevent the exportation of money reflect the financial problem experienced by this young and growing society. Because the responsibility of the defense of the colony and even the whole of New England was left to the

provincial government, the tax burdens of the people of Massachusetts were enormous. Considering the unfavorable trade relations that created a scarcity of silver and gold, these obligations of the colony were difficult, if not impossible, to meet. The government's use of paper as a substitute for money to pay the expenses of military expeditions only emphasized the problem of collecting taxes.

The use of paper money became widely accepted in the colony as a medium of exchange after 1700. Since there was no financial aid for military ventures forthcoming from England and the colony was rapidly developing, the amount of paper money in circulation increased. This paper medium acted as current money in the colony, while specie at sterling value continued to be shipped to England. The purchasing power of the people within the colony became greater and silver was badly needed to make payments on the increased imports. As the amount of specie decreased, the government issued large amounts of paper money without any foundation. The period from 1715 to 1750 became one of the longest and most severe inflationary periods in American History.

During this depression, a controversy ensued between two groups. It was assumed by many that the increasingly high prices for English goods and the general decay in the

colony's trade could be remedied by an increase in the amount of bills in circulation. One minority group, who believed that all outstanding bills of credit should be called in and dependence put on a silver and gold currency, was overridden by the pressure of the other groups. The question before the people was not whether paper money should remain, but rather what was the best method to supply this additional money. One party thought that bills of credit should be supplied by some private means such as a bank based on land security while the other group favored the government's issuing paper money in this manner. The private banking group lost the contest, but became prominent again during the Belcher administration.

Although early British attempts to restrict the issuance of paper money were futile, a more determined effort to enforce money regulations was made during the Belcher administration. The first restrictive measure adopted by England required suspension clauses in all acts of the Assembly so that these laws could not become effective until they received the approval of the home government. This regulation was avoided by the colony by voting appropriations by resolutions. Large amounts of paper money continued to be emitted. Because of this unsuccessful effort to curb the amount of paper money in circulation, the British government instructed Governor Belcher to call in and destroy all outstanding bills of credit by 1741.

The maximum amount of paper money in circulation at one time was restricted to thirty thousand pounds. The attempt to force these regulations upon the people caused a widening breach between the governor and the Assembly. Both the people and the Assembly were quite concerned about the conditions that would prevail if the colony were deprived of an ample medium of exchange to carry on its trade.

This period of fear and apprehension brought into prominence the idea of the Land Bank that had been proposed in 1696 and 1714. It is evident that the forces still remained from the old contest between the public and private groups. The party that once favored the establishment of the private bank now gained additional members from the group who believed the government should issue all currency. In the process of realignment, another group realizing that some device was necessary to supply a medium of trade, offered as an alternative to the Land Bank scheme, the Silver Scheme which they believed to be more sound.

The Land Bank or Manufactory Scheme had the support of the majority of the people in the colony. During the short period that it was in existence about thirteen hundred people subscribed to shares in the company. In addition to those who appeared on the subscription list, many secretly or openly favored the project and sincerely believed that the Land Bank was the best device offered to evade British regulations that were to become effective in

1741. This type of bank appealed to the landed group as well as the traders, shopkeepers, and in general those whom the sources refer to as the "trading sort." Lawyers and government officials were also promoters of the Bank. Even Governor Belcher showed no opposition to the establishment of the Land Bank until the merchants in London showed their determined opposition by presenting their grievances to the Board of Trade. The governor's disapproval of the Land Bank was more a face-saving move as a British official than an indication of his personal opposition to it.

The British government was slow in taking action against the Land Bank scheme. They were informed of the undertaking as early as 1735, but the Board of Trade only instructed Governor Belcher to discourage the actions of the Land Bankers. The attorney general concluded that legal actions against the Bank were impossible under existing British laws. Nevertheless, when pressure was exerted in the House of Commons by merchants interested in the trade of New England, provisions of a law commonly known as the "Bubble Act" were perverted in meaning and extended to the private banks then established in the colony.

One of the most significant events in the pre-revolutionary period was the closing of the Land Bank by the British parliament. The closure affected the majority of the colonists including some of the most prominent men.

In addition to this, the Land Bank scheme had reached a stage of development where it was impossible to settle its affairs in a short period of time. The litigations and effects lasted until the Revolution. Another important factor was the questioning by the colonists of the power of parliament. The difficulties experienced by the people over paper money and the Land Bank were the roots of the American Revolution. It is doubtful whether the Land Bank could have existed very long on its weak foundations; nevertheless, the reaction caused by the closure indicated the first serious break between the colony and Great Britain that was to lead to independence.

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