

# THE MINT AND COINAGE ACTS OF THE UNITED STATES

*INCLUDING:*

- THE MINTAGE ACT OF 1792
- THE MINTAGE ACT OF 1837
- THE COINAGE ACT OF 1873
- THE COINAGE ACT OF 1878
- THE GOLD STANDARD ACT OF 1900

*AS REPRODUCED FROM:*

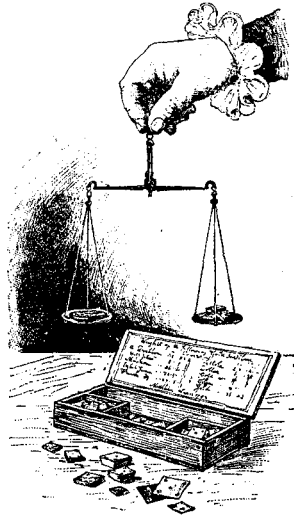
THE  
**Public Statutes at Large**  
OF THE  
UNITED STATES OF AMERICA,



*PLUS:*

- A BRIEF HISTORY OF MONEY IN AMERICA
- BIBLICAL PRINCIPLES OF MONEY
- SOME THOUGHTS ON "PAPER MONEY"

*BY CHARLES WEISMAN*



SCALES FOR WEIGHING COINS



*"All of the perplexities, confusion and distress in America arise, not from defects in the Constitution or Confederation, not from want of honor or virtue, so much as from the downright ignorance of the nature of coin, credit and circulation."*

— John Adams, 1787.

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## A BRIEF HISTORY OF MONEY IN AMERICA

America's successes and failures in her history can be linked to and traced by her success or failure in dealing with the money issue. Its level and degree of prosperity, growth, solvency, industry, trade, and standard of living lie in direct proportion to the stability and intrinsic value of the circulating medium of exchange.

In the early 1600's American colonists often used Wampum (Indian beads) as a medium of exchange. Since it was cheap and readily available, Wampum depreciated in value as currency in consequence of over-production. A final blow was given to it as a circulating medium in New England by an order from the authorities of Massachusetts not to receive it in payment of taxes. Thus, colonists with ample savings of Wampum were unable to pay their taxes and soon found it to be of little value in trades with the Indians and practically no value within the colonies.

Coins from England, Holland, and the West Indies were also circulated as a medium of exchange but due to their inherent value were always in short supply. As fast as coin came to the colony of Massachusetts by trade with the West Indies, it was sent to England to pay for goods purchased there. By 1650 the situation was critical. Massachusetts desperately needed coinage if it was to continue to expand,



"Pine Tree Shilling" From the Massachusetts Mint; Dated 1652, struck 1667-1674, the first money coined in America.

and some way to keep money in the colony had to be fashioned. To stop this drain of specie<sup>1</sup> Massachusetts set up a mint in May of 1652, and coined silver threepences, sixpences, and shillings. Thousands of these coins were minted between 1652 and 1684, each bearing the figure of an Oak tree, a Willow tree, or a Pine tree - symbolizing Massachusetts's rich resource in timber. The silver of these

1 Specie: Coin of the precious metals, of a certain weight and fineness, and bearing the stamp of the government. (Blacks Law Dictionary, second edition, 1910)

coins was alloyed a quarter below the English standard which made it less desirable in England and thus kept them circulating in the colony where they were needed. The coinage from this mint did help somewhat in stimulating trade abroad since foreign coin was now more available for that purpose. However, it was most effective in stabilizing the trade and commerce within the New England colony during its early growth period.

Parliament, in adopting the standard set by this mint, struck coins for the Carolinas and New England, in 1694. Coin was also struck for Maryland, Virginia, and other colonies. Also around this period of time paper currency began to be printed in the colonies since the crown no longer allowed the colonies to coin money.

By 1750, America had mostly foreign coin along with a significant supply of paper currency in circulation. At the onset of the American war for Independence, the amount of accumulated capital in the country had become rather small. The debts of the ongoing war thus became heavy and burdensome and the only way the Continental Congress was allowed to raise money for its many debts was by making requisitions on the States. These requisitions were not always met since the Congress had no power to enforce payment or to tax.

Since there was no government mint, the only source of specie was that of foreign coin. Thus, in desperation to meet the mounting expenses of the war, Congress decided to issue its own paper currency as bills of credit. Between 1775 and 1780 the Continental Congress had issued this currency, called Continental Bills, to the amount of \$200,000,000. The printing of this "paper currency" was quickly expedited since no gold or silver was used to back up the bills. The country became flooded with this "Continental Currency," which rapidly depreciated in value as the bills obviously contained no intrinsic value of their own and were backed by nothing. Counterfeit bills that appeared worsened matters.

The paper currency left its typical devastating aftereffect on the economy of America. In 1779, twenty dollars in paper equaled but one in specie - six months later it dropped to forty. Congress tried to stop this decline, but to no avail. At the close of the year 1780, this paper was worth but two cents on the dollar; later, ten dollars in paper currency equaled but one cent in specie.



Facsimile of "Continental Bills" or Currency, as issued by the Continental Congress. They illustrated the dangers and inherent faults of "paper currency," and their inability to establish a sound or prosperous economy.

"Not Worth a Continental," became a byword in the colonies - paper money having fallen into such contempt. Washington naively remarked that it took a wagon-load of money to buy a wagon-load of provisions. "In Boston, corn sold for \$150 a bushel, butter for \$12 a pound, tea \$90, sugar \$10, beef \$8, coffee \$12, and a barrel of flour for \$1,575. Samuel Adams paid \$2,000 for a hat and a suit of clothes."<sup>2</sup>

"Continental Currency" became a joke in the colonies. A barber in Philadelphia papered his shop with it, and a wig in that city caught a stray dog, and, bedaubing him with tar, stuck bills of various denominations all over him, and paraded him in the streets. Before the close of 1780 the currency had ceased to circulate, public credit was gone, and trade was at a standstill.<sup>3</sup>

The irritating repercussions of this experiment was the innate workings of the paper money which deceptively lured the colonies into what seemed to be a boost to the economy, but rather left the country in an impoverished state - leaving them with no real monetary wealth which to build up the depleted economy with. This state of events is explained in the following excerpt reproduced from *The Critical Period of American History* by John Fiske, 1888:

2 William M. Davidson, *A History of the United States*, p.219, 1902.

3 IBID

To all these causes of poverty of the war, there was added the hopeless confusion due to an inconvertible paper currency. The worst feature of this financial device is that it not only impoverishes people, but bemuddles their brains by creating a false and fleeting show of prosperity. By violently disturbing apparent values, it always brings on an era of wild speculation and extravagance in living, followed by sudden collapse and protracted suffering. In such crises the poorest people, those who earn their bread by the sweat of their brows and have no margin of accumulated capital, always suffer the most. Above all men, it is the labouring man who needs sound money and steady values. We have seen all these points amply illustrated since the War of Secession. After the War of Independence, when the margin of accumulated capital was so much smaller, the misery was much greater. While the paper money lasted there was marked extravagance in living, and complaints were loud against the speculators, especially those who operated in bread-stuffs. Washington said he would like to hang them all on a gallows higher than that of Haman ; but they were, after all, but the inevitable products of this abnormal state of things, and the more guilty criminals were the demagogues who went about preaching the doctrine that the poor man needs cheap money.

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The need for sound money in America became imperative. As early as the adoption of the *Articles of Confederation* (1781) the subject of national coinage occupied the attention of statesmen. The subject was debated from time to time, and on April 22, 1783, some coins were submitted to Congress as patterns. In 1784, Thomas Jefferson, chairman of a committee appointed for the purpose, submitted a report to Congress on coinage. He proposed to strike four coins upon the basis of the Spanish milled dollar as follows: A gold piece of the value of ten dollars, a dollar in silver, a tenth of a dollar in silver, and a hundredth of a dollar in copper. This report was adopted by Congress in 1785.<sup>4</sup>

But in the wake of a sensible solution, there developed a rash of legislation by the various States in 1786 to issue paper currency. In the very face of miseries so plainly tracable to the deadly paper currency, it may seem strange that the people should now have begun to clamour for

4 Harper's Encyclopaedia of United States History, Benson John Lossing, LL.D., Vol. II (Coinage), Harper Brothers Publishers, 1901.

a renewal of the experiment which had worked so much evil. Yet so it was. As starving men are said to dream of dainty banquets, so now a craze for fictitious wealth in the shape of paper money ran like an epidemic through the country once again.

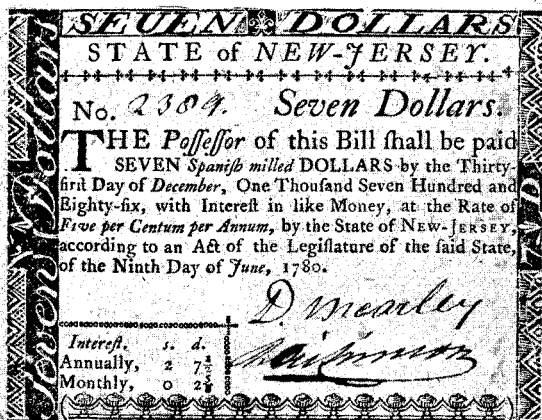
The craze for paper money, 1786

North Carolina issued a large amount of paper, and, in order to get it into circulation as quickly as possible, the State government proceeded to buy tobacco with it, paying double the specie value of the tobacco. As a natural consequence, the paper dollar instantly fell to seventy cents, and went on declining.<sup>5</sup>

Pennsylvania had warily begun in May, 1785, to issue a million dollars in bills of credit, which were not made a legal tender for the payment of private debts. By August, 1786, even this carefully guarded paper had fallen some twelve cents below par.<sup>6</sup>

Early in the year 1786, New York issued a million dollars in bills of credit receivable for the custom-house duties, which were then paid into

the State treasury. Its stated value in Gold or Silver; as defined in the Resolution of the State convention, was often debated between buyer and seller and thus not accepted for its face value. At the same time the New Jersey legislature passed a bill for issuing



A type of State Note or Bill of Credit from New Jersey which were periodically issued by its State Legislature between 1777 to 1786.

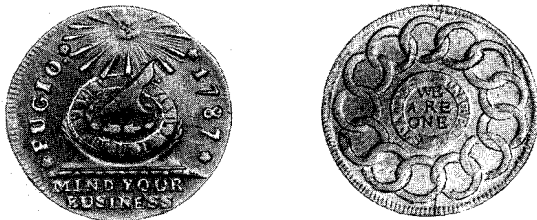
half a million paper dollars, to be legal tender in all business transactions. However, merchants in New York and Philadelphia refused to accept their paper, so it speedily became worthless.

5 John Fiske, The Critical Period of American History: 1783 - 1789, 1888.

6 IBID.

The addition of more than a half a dozen different kinds of paper currency created such a labyrinth as no human intellect could explore. No wonder that men were counted wise who preferred to take whiskey and beef instead of the paper in payment. Nobody who had a yard of cloth to sell could tell how much it was worth. But even worse than all this was the swift and certain renewal of bankruptcy which so many States were preparing for themselves.

There were, however, those who understood the plight of the paper currency and were ambitious in averting its trend. The influence of Washington, Madison, and Mason was effectively brought to bear in favour of sound currency, and the people of Virginia were but slightly affected by the "craze of 1786." Connecticut, foreseeing the hopeless path of a paper economy, had ceased printing paper currency in 1777. By 1780 she had wisely and summarily adjusted all relations between debtor and creditor, and the crisis of 1786 found her people poor enough, no doubt, but able to wait for better times and avoided adopting violent remedies. It was in this same year (1786) that Congress prudently framed an ordinance for the establishment of a mint. The following year (1787) the board of treasury, by authority of Congress, contracted with James Jarvis for 300 tons of copper coins of the prescribed standard, which were coined at a mint in New Haven, Connecticut. The reverse of these coins showed a perpetual chain of thirteen circles linked together, a small circle in the middle with the words "UNITED STATES" round it, and in the center the motto, "WE ARE ONE." The obverse illustrated a sundial and the legends, FUGIO (I, Time, Fly) and MIND YOUR BUSINESS. The legends of the coin have been credited to Benjamin Franklin and the coin is often referred to as the Franklin Cent.



A "Fugio" or "Franklin Cent" made of copper and minted in 1787. This was the first coin issued by the authority of the United States.



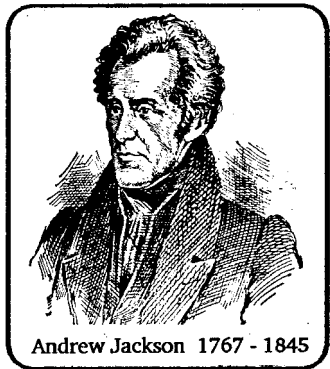
All State paper currency ended with the ratification of the U. S. Constitution in September, 1787. The Framers of our Constitution took several safeguards to assure that the dangers of paper currency, which had plagued the country in the past, would not be repeated. In Article I, Section 10, it forbids any state to *emit any Bills of Credit or to make any Thing but gold and silver Coin a Tender in Payment of Debts*. Congress also was not given any power to emit any bills of credit but rather was only given the power *To coin Money, and regulate the Value thereof (Article I, Section 8)*.

Congress used their authority under the Constitution by establishing the Coinage Act of April 2, 1792. The new mint, which was located in Philadelphia, went into full operation in 1795. The "Dollar" was to be the monetary unit defined in terms of gold as well as silver. Likewise the decimal principle was adopted under this Act. The mere fact that America now had its own mint bolstered confidence in the new government abroad, which strengthened our position in trade. The main point of the mint was the definite separation of the new American Dollar from its Spanish forerunner, in other words, *the establishment of a new monetary unit of the United States*.

The Coinage Act of 1792 was based on Alexander Hamilton's *Report on the Establishment of a Mint*. Another achievement of Hamilton at this time, which had mixed results and caused much controversial debate, was the establishment of the 1st Bank of the U. S. on February 8, 1791. The charter, which was set for twenty years, failed to be renewed by Congress on the grounds that it was unconstitutional, and that too much of the stock was owned by foreigners. It thus ended in 1811 and one year later war broke out again with England. At the close of the war in 1815, the finances of the country were in a wretched state. This state of affairs pressured Congress to enact a charter for the Second Bank of the U. S. in 1816, passing by a narrow margin.

When Andrew Jackson became President in 1829, he began to wage war against the U. S. Bank. He asserted that the bank had failed to establish a sound and uniform currency for the whole nation, it issued paper money (credit notes) which soon flooded the country causing inflation and the depression of 1819, and also, that the Bank itself was unconstitutional and dangerous to the government. Jackson withdrew all government deposits from the U. S. Bank and vetoed the Bank's

recharter bill - thus sealing its fate. The president of the National Bank, Nicholas Biddle called in all loans, creating the Panic of 1833, and firmly turned the public against the revival of the Bank. The Bank controversy became an important issue in the election of 1833, which resulted in Jackson's overwhelming reelection. William M. Gouge, an outstanding authority at that time, stated in his *A Short History of Paper Money and Banking in the United States*, published in 1833, that "the banking system was the principle cause of social evil in the United States."



Andrew Jackson 1767 - 1845

The period leading up to the Civil War brought about, by and large, considerable progress, especially with respect to specie (with the exception of the Crisis of 1837 and Panic of 1857). The advent of the Civil War marks the most critical and volatile stage in the history of money in America and brought about the worst financial conditions that had existed since the Constitution was established in 1787.

Hostilities between the Northern and Southern States began on April 12, 1861, when Fort Sumter was bombarded and captured by the Confederates. As a means to raise revenue for the war, the Northern States issued \$60,000,000 worth of Demand Notes under the Act of July 17, 1861. The State Banks, however, supplied the bulk of paper credit with \$ 130,000,000 in bank notes. The amount of coinage in circulation at this time was about \$275,000,000. However, the Demand Notes, being redeemable in specie but not legal tender, were being redeemed for coin so rapidly by those who held them, that some kind of drastic action had to be taken.

Consequently, in December 1861, the banks suspended specie payment - no currency was to be redeemed any longer for gold or silver coin. This made it impossible for the U.S. Treasury to continue redeeming Notes for coin, so a short time later the Treasury likewise suspended specie payment in order to keep the paper currency in circulation.