

Special exhibit

Early North American paper money

The first paper money in the New World was issued towards the end of the 17th century, nearly a century after European settlers had found a new home on the American continent.



2 Pfund, New York, 1771

In 1690 the British colony of Massachusetts issued the first paper money, followed by South Carolina in 1703 and Connecticut and other colonies on the East Coast in 1709. The colonies did not have the right to issue money on their own – this was the prerogative of England, the mother country – and therefore avoided calling their paper money “banknotes”, using, instead, the term “bills of credit” (bills redeem-

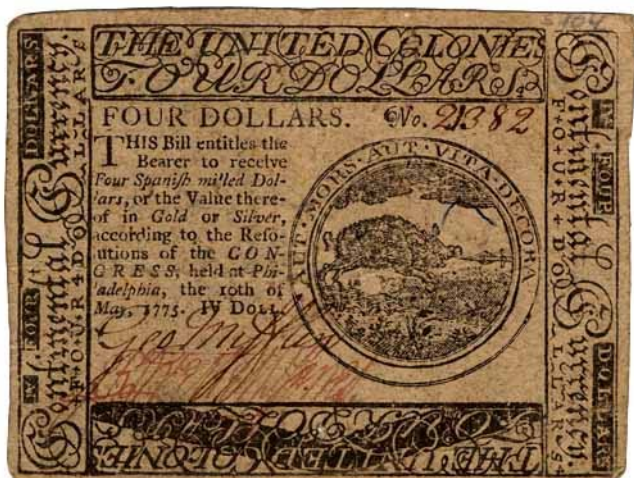
able by a bank against collateral). The early colonial bills of credit were therefore still denominated in pounds, shillings or pence, much like the English money it was modelled on. These notes were initially issued only for special projects, such as the financing of war, and only gradually came to assume the characteristics of legal tender. Paper money was already widely accepted in the British colonies in the 18th century, unlike in continental Europe, and increasingly superseded coin. During the Revolutionary War (1775-83), North America experienced the economic fallout of inflation caused by the increase in the amount of paper money issued to finance the war effort. The notes issued by the Continental Congress, which was the acting government of the British colonies, saw their value fall particu-



3 Pence, Connecticut, 1777

larly sharply. In addition, the simplicity of the design of these bills made them particularly vulnerable to counterfeiting.

The British crown took advantage of this to manufacture and circulate numerous fakes during its war against the rebellious colonies. It was particularly for this reason that the value of the notes fell continuously against the coin in circulation, and this slide continued until the last series was issued and Continentals were withdrawn in 1787. To this day, the idiom “not worth a Continental” is used in the United States to describe something of no value. The manufacturers of Continentals were not the only ones to have to deal with the problem of counterfeits in circulation; colonial banknotes were also counterfeited very soon after their first



4 Dollars, Kontinentalnote, Philadelphia, 1775

appearance. “Nature prints” were employed beginning in 1739 in an effort to make the bills more secure. A natural aid was used here: an image of a leaf was imprinted on the back of the note, different types of leaves denoting different denominations. Because each leaf had its own distinct structure, this represented the state of the art in counterfeit deterrence at that time. Reports in newspapers and posters informed the public of the appearance of the notes and the consequences of counterfeiting. Many banknotes also bore a stark warning of the punishment for manufacturing counterfeit notes: “To counterfeit is death”. Numerous counterfeits from that period show, however, that this warning did not have the desired effect.



18 Pence, Pennsylvania, 1775

Recommended reading

- Philip L Mossman, *Money of the American Colonies and Confederation*. New York 1993.
Eric P Newman, *The early paper money of America*. Racine 1976
Deutsche Bundesbank, *Frühzeit des Papiergeldes*. Frankfurt am Main 1970 (in German).