

This Day in History... February 3, 1690

First Paper Money Issued in America

On February 3, 1690, the Massachusetts Bay Colony issued the first paper money in America.

Prior to this, settlers in America used silver coins. In 1652, the Massachusetts Bay Colony began minting their own coins, even though it was against British law. The British eventually shut down this mint, leaving few of these coins in circulation.

Then in 1689, the British wanted their American settlers to fight the French in Canada. However, they rarely sent money to the colonies, so there wasn't any money to pay the soldiers with. The British government then came up with a new idea – to issue certificates instead of coins. Each piece of paper represented the value of coin and could be redeemed at a later time for “real money.”



Stamp issued for the 300th anniversary of the Massachusetts Bay Colony.

During the Revolutionary War, the Continental Congress issued new paper money known as Continental currency, or simply Continentals. However, the value of this currency depreciated a great deal during the war, leading to the phrase, “not worth a continental.” Part of the issue was that the monetary system wasn't the same in Congress and the states, which still issued bills of credit. According to one historian, “Some think that the rebel bills depreciated because people lost confidence in them or because they were not backed by tangible assets. Not so. There were simply too many of them.” Additionally, the British counterfeited large numbers of Continentals, further lowering their value. As a result of the failure of the continentals, the US Constitution states that states cannot issue bills of credit or



From the Prominent Americans Series

“make any Thing but gold and silver Coin a Tender in Payment of Debts.”

In the coming years America's banking system developed and grew. Private banks issued paper money, but they were easily counterfeited and there were a huge variety of different types. In 1861, the United States began printing paper notes to finance its Civil War operations. Since the back of the notes were printed in green, they were commonly referred to as “greenbacks.” Then on February 25, 1863, President Lincoln signed the National Banking Act, which set the dollar as the sole American currency and established nationally chartered banks backed by the US government. Paper money has remained in use ever since.



These stamps were issued for the Centennial Convention of the American Bankers Association.

The first of these certificates, called a “bill of credit,” was issued on February 3, 1690. Paper money proved to be a successful experiment and its use continued in Massachusetts and soon spread to the colonies. At the time, American settlers trusted that their government would pay them – and the government did when people asked to redeem them. This paper money could even be traded and spent as if it was a gold or silver coin. Of course, even back in the 1600s there were people that wanted to cheat the system and created their own forgeries of these certificates that were often indistinguishable from the real issues.

These bills were called pounds, after the British currency, the pound sterling. However, the actual values didn't match up. For instance, a Massachusetts pound was worth fewer British pounds than a New York pound, which made trade between the colonies very complicated.



Block features historic quotations and two of the buildings where the Continental Congress met.

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