

Currency Act (April 19, 1764)

The paper money issued by the Massachusetts Bay Colony in 1690 was the first authorized by any government in the Western world. The Massachusetts Bay Colony financed a military expedition to Canada in 1690 by issuing bills of credit.

Over time, each of the thirteen colonies' governments had emitted their own currency issues, although Great Britain opposed and tried to suppress them. Subsequent military campaigns and other expenses by other Colonies were funded with these bills. In all cases, they were a financial expedient adopted to cover a lack of funds by promising to "pay later." (American Numismatic Society)

The French and Indian War represented the decisive turning point in British-colonial relations. The Treaty of Paris in 1763 ratified Britain's undisputed control of the seas and shipping trade, as well as its sovereignty over much of the North American continent east of the Mississippi River, including French Canada.



The British Government had borrowed heavily from British and Dutch bankers to finance the war, and as a consequence the national debt almost doubled from £75 million in 1754 to £133 million in 1763. In order to address this onerous liability, British officials turned to larger import duties on enumerated goods like sugar and tobacco, along with a series of high excise (sales) taxes on goods such as salt, beer, and spirits.

This taxation strategy tended to burden consumers disproportionately. In addition, government bureaucracy expanded in order to collect the needed revenue. As the number of royal officials more than doubled, Parliament delegated new legal and administrative authority to them. Thus, even as British subjects lauded their pre-eminent position in the world, they chafed under the weight of increased debts and tightened government controls.

In 1764, Parliament passed the Currency Act, which banned the use of paper money as legal tender in all colonies. (This effectively took the prohibition of issuance of new bills of credit that had been imposed on New England colonies: Rhode Island, Massachusetts Bay, New Hampshire and Connecticut and extended that prohibition to all of the colonies.)

British merchants had asked for relief from the depreciated currency brought about by deficit financing in Virginia. It was argued that Parliament sought to control currency depreciation against silver and sterling and to ensure its value for payments of debt to British merchants. The Act represented an effort to take control of monetary policy from colonial assemblies.

The colonies faced a chronic shortage of hard money, which was being sent across the Atlantic to pay debts in England. To meet the shortage, they resorted to issuing their own paper money. British creditors, however, feared payment in such a depreciated currency. (JD Lewis)

To protect British merchants and creditors from depreciated colonial currency, this act regulated currency, abolishing the colonies' paper currency in favor of a system based on the pound sterling.

The Currency Act - April 19, 1764

An Act to prevent Paper Bills of Credit, hereafter to be issued in any of his Majesty's Colonies or Plantations in America, from being declared to be a legal Tender in Payments of Money; and to prevent the legal Tender of such Bills as are now subsisting, from being prolonged beyond the Periods limited for calling in and sinking the same.

WHEREAS great quantities of paper bills of credit have been created and issued in his Majesty's colonies or plantations in America, by virtue of acts, orders, resolutions, or votes of assembly, making and declaring such bills of credit to be legal tender in payment of money: and whereas such bills of credit have greatly depreciated in their value, by means whereof debts have been discharged with a much less value than was contracted for, to the great discouragement and prejudice of the trade and commerce of his Majesty's subjects, by occasioning confusion in dealings, and lessening credit in the said colonies or plantations: for remedy whereof, may it please your most excellent Majesty, that it may be enacted; and be it enacted by the King's most excellent majesty, by and with the advice and consent of the lords spiritual and temporal, and commons, in this present parliament assembled, and by the authority of the same, That from and after the first day of September, one thousand seven hundred and sixty four, no act, order, resolution, or vote of assembly, in any of his Majesty's colonies or plantations in America, shall be made, for creating or issuing any paper bills, or bills of credit of any kind or denomination whatsoever, declaring such paper bills, or bills of credit, to be legal tender in payment of any bargains, contracts, debts, dues, or demands whatsoever; and every clause or provision which shall hereafter be inserted in any act, order, resolution, or vote of assembly, contrary to this act, shall be null and void.

II. And whereas the great quantities of paper bills, or bills of credit, which are now actually in circulation and currency in several colonies or plantations in America, emitted in pursuance of acts of assembly declaring such bills a legal tender, make it highly expedient that the conditions and terms, upon which such bills have been emitted, should not be varied or prolonged, so as to continue the legal tender thereof beyond the terms respectively fixed by such acts for calling in and discharging such bills; be it therefore enacted by the authority aforesaid, That every act, order, resolution, or vote of assembly, in any of the said colonies or plantations, which shall be made to prolong the legal tender of any paper bills, or bills of credit, which are now subsisting and current in any of the said colonies or plantations in America, beyond the times fixed for the calling in, sinking, and discharging of such paper bills, or bills of credit, shall be null and void.

III. And be it further enacted by the authority aforesaid, That if any governor or commander in chief for the time being, in all or any of the said colonies or plantations, shall, from and after the said first day of September, one thousand seven hundred and sixty four, give his assent to any act or order of assembly contrary to the true intent and meaning of this act, every such governor or commander in chief shall, for every such offence, forfeit and pay the sum of one thousand pounds, and shall be immediately dismissed from his government, and for ever after rendered incapable of any public office or place of trust.

IV. Provided always, That nothing in this act shall extend to alter or repeal an act passed in the twenty fourth year of the reign of his late majesty King George the Second, intituled, An act to regulate and restrain paper bills of credit in his Majesty's colonies or plantations of Rhode Island and Providence plantations, Connecticut, the Massachuset's Bay, and New Hampshire, in America, and to prevent the same being legal tenders in payments of money.

V. Provided also, That nothing herein contained shall extend, or be construed to extend, to make any of the bills now subsisting in any of the said colonies a legal tender.

Effect of the Currency Act

As a result, the colonies suffered a constant shortage of currency with which to conduct trade. There were no gold or silver mines and currency could only be obtained through trade as regulated by Great Britain.

- The Act banned colonial paper money as legal tender in private transactions.
- Colonial paper money was accepted for public debt payments such as provincial taxes.
- It prohibited the extension of paper bills beyond its date of redemption.
- The Currency Act did not place limits on the amount of paper money in circulation and on the period of redemption.

Opposition to the 1764 Currency Act started immediately. Colonial governments petitioned its repeal as the postwar economic slowdown was being felt in most colonies. In 1770 Parliament revised the Act and allowed New York to issue bills as legal tender for all types of debt. In 1773 parliament allowed colonial legislatures to print bills to cover costs and to be used as legal tender.

Information here is primarily from American Numismatic Society; Smithsonian; Georgia Institute of Technology; Britannica; Stamp-Act-History; JD Lewis; Yale Law School

In an effort to provide a brief, informal background summary of various people, places and events related to the American Revolution, I made this informal compilation from a variety of sources. This is not intended to be a technical reference document, nor an exhaustive review of the subject. Rather, it is an assemblage of information and images from various sources on basic background information. For ease in informal reading, in many cases, specific quotations and citations and attributions are often not included – however, sources are noted in the summary. The images and text are from various sources and are presented for personal, noncommercial and/or educational purposes. Thanks, Peter T. Young