

## History of the Continentals during the American Revolution

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### 7.1 Preview, 1775-1788

This chapter contains a record of the "Continental dollars", issued by Congress to finance the American Revolution. They were denominated in Spanish Milled dollars (nominally 386.7 grains silver), at 6% interest. They were actually bills of credit (bearer bonds) since they bore interest, but they circulated as money. John Adams described them [7.1-1]:

"The American paper money is nothing but bills of credit, by which the public, the community, promises to pay the possessor a certain sum in a certain limited time. In a country where there is no coin or not enough in circulation, these bills may be emitted to a certain amount, and they will pass at par; but as soon as the quantity exceeds the value of ordinary business of the people, it will depreciate, and continue to fall in its value, in proportion to the augmentation of its quantity."

There was in the 13 colonies in 1775 a total of about \$12,000,000 in circulation; about \$7,000,000 of it was in the form of paper money previously issued by the colonies and about \$5,000,000 in gold and silver (mostly in silver Spanish Milled Dollars). The colonial paper money was denominated in pounds sterling; each pound contained 20 shillings and each shilling contained 12 pence, same as in England, except the definitions of the colonial pounds differed from the English definition. The English pound sterling was at that time 1858.062 grains at 0.925 pure, which is 1718.7018 grains pure. The colonial pound in Georgia and South Carolina was 1547 grains; in Virginia, Massachusetts, Rhode Island, Connecticut, and New Hampshire as 1289 grains; in New Jersey, Delaware, Pennsylvania, and Maryland as 1031.25 grains; in New York and North Carolina as 966 grains of silver. The total of these colonial paper issues came to an equivalent of SM \$7,000,000.

The core problem in fighting the war was that Congress had no authority to collect taxes; it could only requisition the States. Only South Carolina came close to meeting its obligations throughout the war. The issuance of Continentals was the only means Congress had to finance the war; but of course it was a paper mill built on a promise of future redemption. It is important to remember that between one-third and one-half of the population was loyal to the Crown, about 20,000 joined the British army, and other loyalists did the best they could to discredit the use of the Continentals as a way to disrupt the patriotic cause [7.1-2].

The amount issued by date is based on Schuckers [7.1-3], the depreciation schedule per Elliot [7.1-4], and the alternate claims of over-issue are per Schuckers [7.1-5] and Gouge [7.1-6], both of whom quote Philadelphia merchant Pelatiah Webster. Webster's original depreciation data only indicates the month, and they are recorded here as at the end of the month. Major events of the Revolution are shown for historical context. A more complete chronology is given elsewhere [7.1-7].

It is important to remember that although Congress issued 'Continentals', each State also issued its own paper money throughout the war until 1783. Jefferson estimated the total amount of paper issued by

the States was about \$200,000,000 [7.1-8]. The total emissions for the States are shown on 31 Dec for each year, as there are no records of the exact dates of emissions.

The nomenclature SM \$1.0 ~ C \$1.25 means that one Spanish milled dollar traded for \$1.25 in Continentals. It turns out that more was issued than was authorized by Congress, according to both Schuckers and Gouge.

## 7.2 History, 1775-1788

5 Mar 1770: The Boston Massacre.

16 Dec 1773: The Boston Tea Party.

1 Jun 1774: Port of Boston closed by the British.

6 Aug 1774: The Quartering and Regulating Acts are enforced in Boston.

14 Oct 1774: The First Continental Congress issued a Declaration of Rights opposing various acts of Parliament dating back to 1767.

1 Jan 1775: The population of the States at this time was estimated [7.2-1] as: MA, 352,000; NH: 200,000 (discovered in 1782 to be only 82,000); RI: 58,000; CT: 202,000; NY: 238,000; NJ: 138,000; PA: 341,000; DE: 37,000; MD: 174,000; VA: 300,000; NC: 181,000; SC: 93,000; GA: 27,000; slaves in the Southern States, 500,000; for a total of 2,743,000. It was on this basis that the requisitions were allocated to the States.

1 Feb 1775: The 'Minutemen' was established in Massachusetts, they were people who formed themselves into a militia to defend the colony.

19 Apr 1775: Battles of Lexington and Concord, MA.

10 May 1775: First session of the Second Continental Congress (hereafter called Congress).

17 Jun 1775: Battles of Bunker Hill and Breed's Hill, Boston, MA.

22 Jun 1775: Congress authorized \$2,000,000 in Continentals to be issued. They contained the inscription [7.2-2]:

### CONTINENTAL CURRENCY

No. \_\_\_\_\_ Dollars

This Bill entitles the bearer to receive \_\_\_\_\_ Spanish milled dollars, or the value thereof in gold or silver, according to the resolution of Congress, held at Philadelphia, on the 10th of May, A.D. 1775.

3 Jul 1775: George Washington took command of the Continental Army at Boston.

25 Jul 1775: Congress authorized \$1,000,000 in Continentals to be issued; total = \$3,000,000.

~15 Aug 1775: Rhode Island is the first to make the Continental legal tender. The other colonies followed suit shortly thereafter [7.2-3]. The long-term consequences were, as the currency depreciated (after 1777), that people began to buy property rather than hold onto the currency. Some wealthy people sold off property at what they believed to be good prices, only to find later that the money they received was worthless. Others ran up large debts, knowing they would be able to pay off the debts easily with a small amount of real money as the Continentals depreciated.

12 Nov 1775: Surrender of Montreal to American General Montgomery.

29 Nov 1775: Congress authorized \$3,000,000 in Continentals to be issued; total = \$6,000,000.

31 Dec 1775: Battle of Quebec. During 1775, the States had issued paper money [7.2-4]: Massachusetts (\$483,500 estimated), Rhode Island (\$200,000), Connecticut (\$500,000), New York (\$112,500), Pennsylvania (\$420,000), Delaware (\$80,000), Maryland (\$535,111), Virginia (\$875,000), and South Carolina (\$4,182,365 estimated).

8 Jan 1776: Thomas Paine published 'Common Sense'.

11 Jan 1776: Congress passed a resolution against anyone who refused to accept the Continentals as a legal tender, or accepted them at less than face value [7.2-5]:

"Whereas, it appears to this Congress that several evil disposed persons, in order to obstruct and defeat the efforts of the United Colonies, in defense of their just rights, have attempted to depreciate the bills of credit emitted by the authority of this Congress. Resolved, therefore, that any person who shall hereafter be so lost to all virtue and regard for his country, as to refuse to receive said bills in payment, or obstruct and discourage the currency or circulation thereof, and shall be duly convicted by the committee of the city, county, or district, or in case of appeal from their decision, by the assembly, convention, council, or committee of safety of the colony where he shall reside, such person shall be deemed, published, and treated as an enemy of his country and precluded from all trade or intercourse with the inhabitants of these Colonies."

17 Feb 1776: Congress authorized \$4,000,000 in Continentals to be issued; total = \$10,000,000.

27 Feb 1776: Battle of Moore's Creek, NC.

4-17 Mar 1776: Battle of Boston; British evacuate Boston for the remainder of the war.

27 May 1776: Congress authorized \$5,000,000 in Continentals to be issued; total = \$15,000,000.

5-14 Jun 1776: The Americans retreated from Canada, abandoning any further efforts to bring Canada into the war.

12 Jun 1776: The 'Declaration of the Rights of Man' (George Mason and James Madison) was passed as a resolution in the Virginia Legislature.

28 Jun 1776: Battle of Sullivan's Island, SC.

4 Jul 1776: Declaration of Independence was formally adopted by Congress (having been read and approved 2 Jul 1776).

12 Jul 1776: Congress proposed the Articles of Confederation.

13 Aug 1776: Congress authorized \$5,000,000 in Continentals to be issued; total = \$20,000,000.

27-29 Aug 1776: Battle of Long Island, NY.

15, 16 Sep 1776: Battle of Manhattan, NY.

3 Oct 1776: Congress established a loan office, seeking a loan of \$5,000,000 at 4%, and paying 0.125% commission to those who sold the loan certificates [7.2-6]. The loan certificates were payable to the bearer, and passed as money. They added to the general depreciation of the money.

11-13 Oct 1776: Battle of Valcour Island (Lake Champlain, NY).

28 Oct 1776: Battle of White Plains, NY.

20 Nov 1776: Evacuation of Fort Lee, NY.

28 Nov - 12 Dec 1776: The Continental Army was defeated and retreated through New Jersey to Pennsylvania.

23 Dec 1776: Congress authorized a loan from France for up to £2,000,000; a net loan was subsequently obtained for 935,570 l. (SM \$181,500) (Farmers General of France) [7.2-7]

26-29 Dec 1776: Battle of Trenton, NJ.

28 Dec 1776: Congress authorized \$5,000,000 in Continentals to be issued; total = \$25,000,000.

31 Dec 1776: During 1776, the States had issued paper money [7.2-8]: Massachusetts (\$483,500 est.), Rhode Island (\$300,000), Connecticut (\$366,300), New York (\$637,500), New Jersey (\$133,000), Pennsylvania (\$227,000), Maryland (\$415,111), Virginia (\$1,500,000), and South Carolina (\$4,182,365 estimated).

3 Jan 1777: Battle of Princeton, NJ.

7 Jan 1777: Battles of Elizabethtown, NJ and Newark, NJ.

14 Jan 1777: Congress imitated a prior resolution adopted in Rhode Island, making the Continentals a legal tender. It also adopted a resolution asking the States to stop issuing State currency in favor of Congress alone. The resolution reads, in part [7.2-9]:

"Resolved, That all bills of credit, emitted by authority of Congress, ought to pass current in all payments, trade, and dealings, in these states, and be deemed in value equal to the same nominal sums in Spanish milled dollars; and that whoever shall offer, ask, or receive more in the said bills for any gold or silver coins, bullion, or any other species of money whatsoever, than the nominal sum or amount thereof in Spanish milled dollars, or more, in the said bills, for any lands, houses, goods, or commodities whatsoever, than the same could be purchased at of the same person or persons in gold, silver, or any other species of money whatsoever; or shall offer to sell any goods or commodities for gold or silver coins, or any other species of money whatsoever, and refuse to sell the same for the said continental bills; every such a person ought to be deemed an enemy to the liberties of these United States, and to forfeit the value of the money so exchanged, or house, land, or commodity so sold or offered for sale. And it is recommended to the legislatures of the respective states, to enact laws inflicting such forfeitures and other penalties on offenders as aforesaid, as will prevent such pernicious practices."

31 Jan 1777: SM \$1.0 ~ C \$1.25.

26 Feb 1777: Congress authorized \$5,000,000 in Continentals to be issued; total = \$30,000,000.

28 Feb 1777: SM \$1.0 ~ C \$1.50.

31 Mar 1777: SM \$1.0 ~ C \$2.00.

27 Apr 1777: Battle of Ridgefield, CT.

30 Apr 1777: SM \$1.0 ~ C \$2.25.

20 May 1777: Congress authorized \$5,000,000 in Continentals to be issued; total = \$35,000,000.

31 May 1777: SM \$1.0 ~ C \$2.25.

30 Jun 1777: SM \$1.0 ~ C \$2.25.

31 Jul 1777: SM \$1.0 ~ C \$3.00.

4-7 Jul 1777: Battle of Hubbardton, NY.

6 Aug 1777: Battle of Oriskany, NY.

15 Aug 1777: Congress authorized \$1,000,000 in Continentals to be issued; total = \$36,000,000.

16 Aug 1777: Battle of Bennington, NY.

31 Aug 1777: SM \$1.0 ~ C \$3.00.

11 Sep 1777: Battle of Brandywine Creek, PA.

19 Sep 1777: First Battle of Freeman's Farm, NY.

30 Sep 1777: SM \$1.0 ~ C \$3.00.

4 Oct 1777: Battle of Germantown, PA.

7 Oct 1777: Second Battle of Freeman's Farm (commonly known as the Battle of Saratoga). This defeat marked the end of the British attempt to split the colonies in two by controlling the Hudson River.

31 Oct 1777: SM \$1.0 ~ C \$3.00

7 Nov 1777: Congress authorized \$1,000,000 in Continentals to be issued; total = \$37,000,000.

22 Nov 1777: Congress urged the states to impose wage and price controls in an effort to support or stabilize the purchasing power of the Continentals. Schuckers [7.2-10] relates:

"The second of the system of laws for supporting the value, or more properly the purchasing power of the bills [Continentals], were those for the limitation of prices. ... If prices could be kept down, the trouble would be prevented, anybody could see that. Why not limit prices, then? This idea seems to have originated in New England; and Congress, impressed with a belief that limitations would be effective in sustaining the bills, seized upon the New England idea, and recommended it to the states (November 22nd, 1777) for their immediate adoption, and renewed it in respect of various details during the ensuing two years. Apply the regulations, said Congress in substance, to the prices of labor, to manufactures, internal produce and imported commodities, to the charges of innkeepers and to land and water carriage: limit the number of retailers in the counties, and make them take out licenses to observe laws made for their regulation; let such persons as have no licenses be restrained from purchasing greater quantities of clothing and provisions than are necessary for family use and upon offenders against these laws let such penalties be inflicted as will brand them with indelible infamy!"

But price limits had the opposite effect. Prices increased because of the depreciation as a matter of economics, regardless of the admonitions and threats from Congress [7.2-11].

30 Nov 1777: SM \$1.0 ~ C \$3.00.

3 Dec 1777: Congress authorized \$1,000,000 in Continentals to be issued; total = \$38,000,000. Congress also authorized a loan from France for £2,000,000; a net loan was subsequently obtained for SM \$3,267,000 (18,000,000 livres) [7.2-12]

19 Dec 1777: Beginning of the winter at Valley Forge.

31 Dec 1777: SM \$1.0 ~ C \$4.00. During 1777, the States had issued paper money [7.2-13]: Massachusetts (\$483,500 estimated), Rhode Island (\$15,000), Connecticut (\$17,500), Pennsylvania (\$532,000), Delaware (\$66,500), Virginia (\$2,700,000), and South Carolina (\$4,182,365 estimated).

8 Jan 1778: Congress authorized \$1,000,000 in Continentals to be issued; total = \$39,000,000.

22 Jan 1778: Congress authorized \$2,000,000 in Continentals to be issued; total = \$41,000,000.

31 Jan 1778: SM \$1.0 ~ C \$4.00.

6 Feb 1778: The Americans negotiated an alliance with France. Louis XVI agreed to loan Congress 18,000,000 l. (SM \$3,492,000) to be paid in various installments. France agreed to recognize American independence, and to provide military support. The Americans agreed to conclude peace with Great Britain only if independence was recognized, and if France was a party to the treaty.

16 Feb 1778: Congress authorized \$2,000,000 in Continentals to be issued; total = \$43,000,000.

28 Feb 1778: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778); SM \$1.0 ~ C \$5.00.

5 Mar 1778: Congress authorized \$2,000,000 in Continentals to be issued; total = \$45,000,000.

31 Mar 1778: SM \$1.0 ~ C \$5.00.

4 Apr 1778: Congress authorized \$1,000,000 in Continentals to be issued; total = \$46,000,000.

- 11 Apr 1778: Congress authorized \$5,000,000 in Continentals to be issued; total = \$51,000,000.
- 18 Apr 1778: Congress authorized \$500,000 in Continentals to be issued; total = \$51,500,000.
- 30 Apr 1778: SM \$1.0 ~ C \$6.00.
- 15 May 1778: Congress was unable to pay the army regularly, and when it did was in depreciated money. To compensate, Congress authorized half-pay for seven years to all army officers, and \$80 for enlisted men, to be paid at the end of the war [7.2-14].
- 19 May 1778: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).
- 22 May 1778: Congress authorized \$5,000,000 in Continentals to be issued; total = \$56,500,000.
- 31 May 1778: SM \$1.0 ~ C \$5.00.
- 8 Jun 1778: Congress imposed an export embargo on livestock, corn, wheat, beef, and pork, and asked the States to enforce it until 15 Nov 1778. The purpose was to ensure adequate supplies would be available for the army [7.2-15].
- 20 Jun 1778: Congress authorized \$5,000,000 in Continentals to be issued; total = \$61,500,000.
- 28 Jun 1778: Battle of Monmouth, NJ.
- 30 Jun 1778: SM \$1.0 ~ C \$4.00.
- 4-7 Jul 1778: Massacre at Wyoming Valley, PA by the British and their Indian allies.
- 9 Jul 1778: Eight States (NH, MA, RI, CT, NY, PA, VA, and SC) ratified the Articles of Confederation.
- 20 Jul 1778: The American army was in place at White Plains, NY while the British Northern army occupied New York City. The war in the North was a stalemate until the end.
- 21 Jul 1778: North Carolina ratified the Articles of Confederation.
- 24 Jul 1778: Georgia ratified the Articles of Confederation
- 30 Jul 1778: Congress authorized \$5,000,000 in Continentals to be issued; total = \$66,500,000.
- 31 Jul 1778: SM \$1.0 ~ C \$4.00.
- 3 Aug 1778: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).
- 29 Aug 1778: Battle of Butts Hill, RI.
- 31 Aug 1778: SM \$1.0 ~ C \$5.00.
- 5 Sep 1778: Congress authorized \$5,000,000 in Continentals to be issued; total = \$71,500,000.
- 6 Sep 1778: The British burned New Bedford and Fair Haven, CT
- 26 Sep 1778: Congress authorized \$10,000,000 in Continentals to be issued; total = \$81,500,000.
- 30 Sep 1778: SM \$1.0 ~ C \$5.00.
- 8 Oct 1778: Congress passed a resolution encouraging that all price limitations be removed, seeing that it had not worked as intended. But the States continued the practice for another three years [7.2-16].
- 31 Oct 1778: SM \$1.0 ~ C \$5.00.
- 1 Nov 1778: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).
- 4 Nov 1778: Congress authorized \$10,000,000 in Continentals to be issued; total = \$91,500,000.
- 10 Nov 1778: Massacre at Cherry Valley, NY by the British and their Indian allies.
- 26 Nov 1778: New Jersey ratified the Articles of Confederation.
- 30 Nov 1778: SM \$1.0 ~ C \$6.00.



- 14 Dec 1778: Congress authorized \$10,000,000 in Continentals to be issued; total = \$101,500,000.
- 31 Dec 1778: SM \$1.0 ~ C \$6.00. During 1778, the States had issued paper money [7.2-17]: Massachusetts (\$483,500 estimated), Virginia (\$2,700,000), North Carolina (\$2,125,000), and South Carolina (\$4,182,365 estimated). The total amount of coin received and disbursed by the Treasury in 1779 came to \$78,666 [7.2-18].
- 1 Jan 1779: The issues of Continentals from 20 May 1777 and 11 Apr 1778 had become so thoroughly counterfeited by the British that Congress called them in to be burned, but were still legal for payment of taxes until 1 Jun 1779 (later extended to 1 Jan 1780) [7.2-19]. The total amount of Continentals issued so far was \$101,500,000 [7.2-20].
- 5 Jan 1779: Congress asked the States for \$15,000,000 for 1779 to be used as a sinking fund for the loans and Continentals. None would be paid [7.2-21].
- 9 Jan 1779 ff: The British invaded Georgia from Florida and pillaged the countryside.
- 31 Jan 1779: SM \$1.0 ~ C \$8.00 (average).
- 3 Feb 1779: Congress authorized \$5,000,160 in Continentals to be issued; total = \$106,500,160.
- 12 Feb 1779: Delaware ratified the Articles of Confederation.
- 14 Feb 1779: Battle of Kettle Creek, GA.
- 19 Feb 1779: Congress authorized \$5,000,160 in Continentals to be issued; total = \$111,500,320.
- 24 Feb 1779: The Americans captured the British army at Vincennes and Detroit. This ended the British attempt to take the Northwest Territories (now the States of Wisconsin, Michigan, Indiana, and Illinois).
- 28 Feb 1779: SM \$1.0 ~ C \$10.00.
- 31 Mar 1779: SM \$1.0 ~ C \$10.50 (average)
- 1 Apr 1779: Congress authorized \$5,000,160 in Continentals to be issued; total = \$116,500,480.
- 28 Apr 1779 ff: A war of total destruction was waged by the British throughout Georgia and South Carolina, except Charleston (since there were many loyalists there).
- 30 Apr 1779: SM \$1.0 ~ C \$16.10 (average).
- 5 May 1779: Congress authorized \$10,000,100 in Continentals to be issued; total = \$126,500,580. Delaware ratified the Articles of Confederation, making twelve of the thirteen. Only Maryland held out.
- 7 May 1779: Congress authorized \$50,000,100 in Continentals to be issued; total = \$176,500,680.
- 21 May 1779: Congress requisitioned \$45,000,000 from the States, owing to the depreciation. None would be paid [7.2-22].
- 30 May 1779: SM \$1.0 ~ C \$23.50 (average).
- 31 May - 2 Jun 1779: The British captured Stony Point, NY and Verplanck's Point, NY. The Americans now had to go around the mountains to get between New York and New Jersey.
- 4 Jun 1779: Congress authorized \$10,000,100 in Continentals to be issued; total = \$186,500,780.
- 10 Jun 1779: France loaned Congress 250,000 l. (SM \$48,500) (cf. 6 Feb 1778).
- 30 Jun 1779: SM \$1.0 ~ C \$20.00 (average).
- 5 - 11 Jul 1779: The British burned New Haven, Fairfield, and Green Farms, CT.
- 17 Jul 1779: Congress authorized \$15,000,280 in Continentals to be issued; total = \$201,501,060.

31 Jul 1779: SM \$1.0 ~ C \$19.00 (average).

17 Aug 1779: George Washington wrote to a distant cousin, Lund Washington, who was managing Mount Vernon during the war, to give advice on accepting the depreciating Continentals in payment of debts owed to him. He will accept the Continentals on recent debts since they were contracted when they were already depreciated, but will not accept them for old debts contracted before they were emitted, or when they traded at par. He wrote [7.2-23]:

"Some time ago (but how long I cannot remember) you applied to me to know if you should receive payment of General Mercer's bonds; and after this, of the bond due from the deceased Mr. Mercer's estate to me; and was, after animadverting a little upon the subject; authorized to do so; of course I presume the money has been received. I have since considered the matter in every point of view my judgment enables me to place it, and am resolved to receive no more old debts; such I mean as were contracted and ought to have been paid before the War at the present nominal value of the money, unless compelled to it, or it is the practice of others to do it. Neither justice, reason, nor policy requires it. The law, undoubtedly, was well designed; it was intended to stamp a value and give a free circulation to the paper bills of credit; but it never was nor could be intended to make a man take a shilling or sixpence in the pound for a just debt, which he is well able to pay, thereby involving himself in ruin. I am as willing now as I ever was to take paper money for every kind of debt, and at its present depreciated value for those debts which have been contracted since the money became so; but I will not in future receive the nominal sum for such old debts as come under the above description, except as before excepted."

29 Aug 1779: Battle of Newtown, NY (now Elmira).

31 Aug 1779: SM \$1.0 ~ C \$20.00.

1 Sep 1779: Congress passed a resolution that no more than \$200,000,000 in Continentals should be in circulation at any time [7.2-24]. It is unlikely that this restraint was observed.

13 Sep 1779: Congress issued an address to the public explaining the current state of the finances [7.2-25]. A total of \$159,948,880 in Continentals had been issued and in circulation, \$7,545,196 had been borrowed from France before Mar 1778 with interest payable in France, \$26,188,909 had been borrowed since then, with interest payable in America; and other amounts borrowed abroad were estimated at 4,000,000. But only \$3,027,560 had been received in taxes. Thus the sum of loans received and interest due, less taxes paid came to \$36,761,665. Part of the long address to the States reads [7.2-26, 7.2-27]:

"Exclusive of the great and ordinary expenses incident to the war the depreciation of the currency has so swelled the price of every necessary article, and of consequence made such additions to the usual amount of expenditures, that very considerable supplies must be immediately provided by loans and taxes; and we unanimously declare it to be essential to the welfare of these States, that the taxes already called for be paid into the continental treasury by the time recommended for that purpose.

The ability of the United States must depend on two things; first the success of the present revolution; and secondly, on the sufficiency of the natural wealth, value, and resources of the country.

That the time has been when honest men might, without being chargeable with timidity, have doubted the success of the present revolution, we admit; but that period has passed. The independence of America is now fixed as fate, and the petulant efforts of Britain to break it down are as vain and fruitless as the raging of the waves which beat against their cliffs.

Let it be remembered that paper money is the only kind of money which cannot 'make itself wings and fly away'. It remains with us, it will not forsake us, it is always ready and at hand for the purpose of commerce or taxes, and every industrious man can find it.



Whether, admitting the ability and political capacity of the United States to redeem their bills, there is any reason to apprehend a wanton violation of the public faith?

It is with great regret and reluctance that we can prevail upon ourselves to take the least notice of a question which involves in it a doubt so injurious to the honor and dignity of America. The enemy, aware that the strength of America lay in the union of her citizens, and the wisdom and integrity of those whom they committed the direction of their affairs, have taken unwearied pains to disunite and alarm the people, to depreciate the abilities and virtues of their rulers, and to impair the confidence reposed in them by their constituents.

Hence has proceeded the notable discovery that as the congress made the money they also can destroy it; and that it will exist no longer than they find it convenient to permit it.

You surely are convinced that it is no more in their power to annihilate your money than your independence, and that any act of theirs for either of those purposes would be null and void. We should pay an ill compliment to the understanding and honor of every true American, were we to adduce many arguments to show the baseness or bad policy of violating our national faith, or omitting to pursue the measures necessary to preserve it. A bankrupt, faithless republic, would be a novelty in the political world, and appear among respectable nations like a common prostitute among chaste and respectable matrons."

16 Sep 1779: France loaned Congress 250,000 l. (SM \$48,500) (cf. 6 Feb 1778).

17 Sep 1779: Congress authorized \$15,000,280 in Continentals to be issued; total = \$216,501,420.

28 Sep 1779: Congress authorized a loan from Spain for SM \$5,000,000; a net loan was subsequently obtained for SM \$174,017 [7.2-28].

30 Sep 1779: SM \$1.0 ~ C \$24.00 (average).

4 Oct 1779: France loaned Congress 250,000 l. (SM \$48,500) (cf. 6 Feb 1778).

9 Oct 1779: Battle of Savannah, GA.

14 Oct 1779: Congress authorized \$5,000,180 in Continentals to be issued; total = \$221,501,600.

26 Oct 1779: Congress authorized a loan from France for SM \$10,000,000; a loan was obtained for SM \$1,815,000 (10,000,000 livres). Congress also authorized a loan from Holland for SM \$10,000,000, and loans were eventually obtained: SM \$2,000,000 on 14 Sep 1782; SM \$800,000 on 1 Feb 1785; SM \$400,000 on 11 Oct 1787; and SM \$400,000 on 2 Jul 1788 [7.2-29].

31 Oct 1779: SM \$1.0 ~ C \$30.00.

17 Nov 1779: Congress authorized \$10,050,540 in Continentals to be issued; total = \$231,552,140.

19 Nov 1779: Congress asked the States to limit prices based on 1774 prices [7.2-30]: a) wages of common labor, tradesmen, and mechanics to be limited to 20 times the rate in 1774; b) domestically produced items limited in price to 20 times the 1774 price; c) but items of military use to be exempt from price controls.

29 Nov 1779: Congress authorized \$10,000,140 in Continentals to be issued; total = \$241,552,280. (Schuckers has \$241,552,780; it is not clear where the \$500 discrepancy is.) However, Alexander Hamilton, in his report of 1790, says that a total of \$357,476,541 of "old emission" had been made from 1776 to 1781, and an additional \$2,070,486 in 'new emission' (1780 and 1781) [7.2-31]. The 'new emission' of Continentals was authorized 18 Mar 1780. It is not clear how this discrepancy arose unless Hamilton's figures include the "indents" (loan certificates).

30 Nov 1779: SM \$1.0 ~ C \$38.50 (average).

~15 Dec 1779: Congress was unable to obtain any money. The Continentals had depreciated so much that no one would loan metal money against them for a promise to pay in paper. Although Congress

used legal tender laws and price controls, the over-issue of Continentals destroyed the nation's credit and commerce. The people simply lost confidence in the Continentals and they began to go out of circulation.

21 Dec 1779: France loaned Congress 250,000 l. (SM \$48,500) (cf. 6 Feb 1778).

31 Dec 1779: SM \$1.0 ~ C \$41.50 (average). During 1779, the States had issued paper money [7.2-32]: Massachusetts (\$483,500 estimated), Rhode Island (\$133,000), Virginia (\$2,500,000), North Carolina (\$1,125,000), and South Carolina (\$4,182,365 estimated). The amount of coin received and disbursed by the Treasury came to \$73,000 for all of 1779 [7.2-33].

~15 Jan 1780: This marked the beginning of a large influx of hard money: a) English procurements for its army; b) French assistance and payments to its soldiers in the States; and c) loans from foreign nations.

31 Jan 1780: SM \$1.0 ~ C \$42.50 (average).

25 Feb 1779: Congress, instead of making requisitions for money, asked that the States make in-kind contributions to be delivered as requested by the military [7.2-34]: a) 330,000,000 pounds of beef; b) 455,000 gallons of rum; c) 123,000 barrels of flour; d) 695,000 bushels of corn; e) 53,000 bushels of salt; f) 9,000 tons of hay; g) 7,000 hogsheads of tobacco; and h) 52,000 bushels of rice. The costs were to be tabulated in Spanish Milled Dollars and Congress would settle accounts with the States later.

29 Feb 1780: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778); SM \$1.0 ~ C \$50.00 (average).

29 Feb 1779: General Greene wrote to Joseph Reed, President of the Supreme Executive Council of Pennsylvania [7.2-35]:

"Our provisions are in a manner gone. We have not a ton of hay at command, nor magazines to draw from. Money is extremely scarce, and worth little when we get it. We have been so poor for a fortnight that we could not forward the public dispatches for want of cash to support the expresses."

~ 1 Mar 1780: Now that the Continentals had become so depreciated that they no longer circulated because no one would accept them, gold and silver replaced them. As Schuckers relates [7.2-36]:

"And it is a curious illustration of the laws which govern paper money, that as excessive issues had exiled the cash of the country from its accustomed place in the business of the people, it began to flow back as the paper money approached the period of its mortality. As this daily less capably performed the office of the instrument of exchange, gold and silver more certainly and amply flowed in to supply its place."

18 Mar 1780: Congress issued a report recognizing the depreciation of the Continentals, and proposing a method to redeem them. The idea was that the separate States may have better credit than did Congress. The resolution announced a plan for redemption and the issuing of new bills [7.2-37]:

"These United States having been driven into this just and necessary war at the time when no regular civil governments were established of sufficient energy to enforce the collection of taxes or to provide funds for the redemption of such bills of credit as their necessities obliged them to issue; and before the powers of Europe were sufficiently convinced of the justice of their cause or of the probable event of the controversy to afford them aid or credit, in consequence of which their bills increasing in quantity beyond the sum necessary for the purpose of a circulating medium and wanting at the same time specific funds to rest on for their redemption they have seen them daily sink in value notwithstanding every effort that has been made to support the same: insomuch that they are now passed by common consent in most parts of these United States at least thirty-nine fortieths below their nominal value and still remain in a state of depreciation

whereby the community suffers great injustice, the public finances are deranged, and the necessary dispositions for defense of the country are much impeded and perplexed; and whereas, effectually to remedy these evils for which purpose the United States are now becoming competent, their independence being well assured, their civil governments established and vigorous, and the spirit of their citizens ardent for exertion, it is necessary speedily to reduce the quantity in circulation, and to establish and appropriate such funds that shall ensure the punctual redemption of the bills."

It then directs the States to send in taxes already levied on 7 Oct 1779 and 23 Feb 1780 but not paid. It continues:

"That silver and gold be receivable in payment of the said quotas at the rate of one Spanish milled dollar in lieu of forty dollars of the bills now in circulation.

That the said bills as paid in except for the months of January and February past, which may be necessary for the discharge of past contracts, be not reissued but destroyed.

That as fast as the said bills shall be brought in and be destroyed, and funds shall be established as hereafter mentioned for other bills, other bills not to exceed on any account one twentieth part of the nominal sum of the bills brought in to be destroyed."

That the bills which shall be issued be redeemable in specie within six years after the present, and bear an interest at the rate of five per centum per annum to be paid also in specie at the redemption of the bills or at the election of the holder annually."

Congress thus announced that the Continentals were to be discounted as 40:1 and destroyed; to be replaced when funding permitted by new bills (the "new issue") at the rate of 20:1; and the new bills would bear interest at 5%. The 40:1 provision signaled the end of the relevance of the Continental.

31 Mar 1780: SM \$1.0 ~ C \$62.50 (average).

18 Apr 1780: Congress passed a resolution calling for the redemption of the Continentals at the value they had in Spanish milled dollars at the time of issue [7.2-38]:

"That Congress will as soon as may be, make such provision for discharging or continuing the loans that have been made to these United States, or loan office certificates, as that the holders of them shall sustain no loss thereon by any depreciation of the bills loaned subsequent to the respective dates of the said certificates."

30 Apr 1780: SM \$1.0 ~ C \$60.00.

12 May 1780: The Americans surrendered Charleston, SC to the British.

23 May 1780: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).

29 May 1780: Battle of Waxhaws, SC.

31 May 1780: SM \$1.0 ~ C \$60.00.

Jun - Oct 1780: A guerilla war was conducted by the Americans under Williams, Sumter, Pickens, and Marion in the South. At the same time, the British under Tarleton waged a reign of terror throughout the Carolinas, which lasted until Jun 1782.

6 Jun 1780: Battle of Elizabethtown, NJ.

21 Jun 1780: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).

28 Jun 1780: Congress published the schedule of redemption of the Continentals [7.2-39]:

"Resolved, that the principal of all loans which have been made to these United States shall finally be discharged by paying the full current value of the bills when loaned; which payment shall be made in Spanish milled dollars, or the current exchange thereof in other money at the time of payment.

That the value of the bills, when loaned, shall be ascertained for the purposes above mentioned (cf. 18 Apr 1780) by computing thereon a progressive rate of depreciation, commencing with the first day of September, 1777, and continuing to the 18th of March, 1780, in geometrical progression and proportion of the time, from period to period, as hereafter stated, assuming the depreciation at the several periods to be as follows: On the first day of March, 1778, one dollar and three quarters of a dollar of the said bills for one Spanish milled dollar; on the first of September 1778, as four of the former for one of the latter; on the 1st day of March 1779, as eighteen of the former for one of the latter; and on the 18th day of March, 1780, as forty of the former for one of the latter." Thus the latter Continental issues were redeemed for 2.5 cents on the dollar.

30 Jun 1780: SM \$1.0 ~ C \$60.00.

10 Jul 1780: The first contingent of French troops landed in Newport, RI to aid the American cause.

11 Jul 1780: Congress fixed the redemption schedule of Continental currency and bills of credit at 40 to 1. Its reckoned value was about 65 to 1 at this time.

12 Jul 1780: Battle of Cross Roads, SC.

17 Jul 1780: The Bank of Pennsylvania was established by Robert Morris and other Philadelphia merchants, to aid in supplying provisions to the army [7.2-40]. Its initial capital was PA £315,000 and British sterling £150,000 in bills of exchange provided by the Treasury.

29 Jul 1780: The Treasury, pursuant to the directive of 28 Jun 1780, published a day-by-day depreciation schedule [7.2-41] for the Continentals from 1 Sep 1777 (at par) to 18 Mar 1780 (SM \$1.0 ~ C \$40.00)

31 Jul 1780: SM \$1.0 ~ C \$62.50 (average).

16 Aug 1780: Battle of Camden, SC.

18 Aug 1780: Battle of Fishing Creek, SC.

20 Aug 1780: Battle of Musgrave's Mills, SC.

26 Aug 1780: Congress again appealed to the States to pay the requisitions.

31 Aug 1780: SM \$1.0 ~ C \$70.00 (average).

15 Sep 1780: Congress asked MA, NH, CT, NJ, PA, and DE to supply 3,000 head of cattle to support the army [7.2-42].

22-25 Sep 1780: American General Benedict Arnold attempted to hand West Point over to the British; the plot is detected and he escaped to the British lines.

28 Sep 1780: Battle of Black Mingo, SC.

30 Sep 1780: SM \$1.0 ~ C \$75.00.

5 Oct 1780: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).

7 Oct 1780: Battle of King's Mountain, SC.

31 Oct 1780: SM \$1.0 ~ C \$77.50 (average).

20 Nov 1780: Battle of Blackstock Hill, SC.

27 Nov 1780: France loaned Congress 1,000,000 l. (SM \$194,000) (cf. 6 Feb 1778).

30 Nov 1780: SM \$1.0 ~ C \$90.00 (average)

31 Dec 1780: SM \$1.0 ~ C \$100.00; Elliot [7.2-43] states that \$891,326 of new emission was issued in 1780. During 1780, the States had issued paper money [7.2-44]: Massachusetts (\$483,500 estimated), Rhode Island (\$66,600), Connecticut (\$632,700), New Jersey (\$600,000), Pennsylvania

(\$1,516,000), Virginia (\$30,666,000), North Carolina (\$3,600,000), and South Carolina (\$4,182,365 estimated).

1 Jan 1781: A mutiny was staged by most of the army in PA, complaining about not being paid, shortages of provisions, and not being released after three years per their original enlistments. It was resolved peacefully although British spies tried to instigate a full revolt. The British spies were caught and hanged [7.2-45].

15 Jan 1781: Congress requisitioned \$879,342 in coin from the States [7.2-46], to be paid immediately for current expenses. None was ever paid.

17 Jan 1781: Battle of The Cowpens, SC.

31 Jan 1781: SM \$1.0 ~ C \$100.00.

15 Feb 1781: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).

21 Feb 1781: Robert Morris was appointed Superintendent of the Finances. He reformed the entire system, and organized the Treasury. Not only did he eliminate the corruption and incompetence, but went directly to military commanders to find out what was needed; and even issued his own promissory notes against his credit when necessary to supply the army. Schuckers writes [7.2-47]:

"But in a word, arms and ammunition, pay of troops and subsistence stores, were supplied upon the private resources of Robert Morris. He bore upon his broad and ample shoulders, to the close of the war, almost the whole pecuniary burdens it entailed, and through its most critical and important period he was its vital stay and support. It is no figure of speech to aver that in his field of public duty he rendered services not less valuable than and splendid than those even of Washington; though it is necessary to state that he was reimbursed for all his advances."

28 Feb 1781: SM \$1.0 ~ C \$110.00 (average).

1 Mar 1781: Maryland finally ratified the Articles of Confederation; it then went into effect.

31 Mar 1781: SM \$1.0 ~ C \$127.50 (average).

18 Apr 1781: A Committee in Congress reported that the debt was SM \$24,057,577 in specie, and that SM \$19,507,457 would be needed for 1782. But in fact the details of the national domestic debt were so confused that no accurate figure has ever been devised. The foreign debt was about SM \$6,000,000 with annual interest due of SM \$360,000 [7.2-48].

23 Apr 1781: The British surrendered Fort Watson, SC to the Americans.

25 Apr 1781: Battle of Hobkirk's Hill, SC.

30 Apr 1781: SM \$1.0 ~ C \$167.50 (average).

10-15 May 1781: The British gradually evacuated Camden, Orangeburg, Fort Motte, Nelson's Ferry and Fort Granby (all in SC).

15 May 1781: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).

26 May 1781: The Bank of North America was established. It issued bank notes, which were payable on demand, and were accepted by Congress in payment of taxes. The initial capital was SM \$400,000, but the actual amount of specie held was SM \$40,000 [7.2-49].

31 May 1781: SM \$1.0 ~ C \$350.00 (average, 200:1 to 500:1). The Continental currency was abolished as circulating money.

5 Jun 1781: The British surrendered Augusta GA to Americans.

29 Jun 1781: The British abandoned Ninety-Six, SC.

- 6 Jul 1781: Battle of Green Springs, VA. General Greene and Lafayette pressured British General Cornwallis to evacuate to Yorktown, VA.
- 1 Aug 1781: France loaned Congress 1,000,000 l. (SM \$194,000) (cf. 6 Feb 1778).
- 15 Aug 1781: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).
- 29 Aug - 21 Sep 1781: General George Washington secretly moved the Continental Army from White Plains, NY to Yorktown, VA.
- 8 Sep 1781: Battle of Eutaw Springs, SC.
- 20 Sep 1781: The Board of Treasury was abolished due to the inefficiency of its operation [7.2-50].
- 6-19 Oct 1781: Battle of Yorktown, VA; Lord Cornwallis surrendered, and this ended the war for practical purposes, except for some battles in Georgia lasting until Jun 1782.
- 30 Oct 1781: Congress requisitioned SM \$8,000,000 from the States, payable in quarterly payments. But only SM \$420,031 had been received by Aug 1782 [7.2-51].
- 5 Nov 1781: France guaranteed a 10,000,000 l. (SM \$1,940,000) loan to Congress from Holland (cf. 6 Feb 1778).
- 15 Nov 1781: France loaned Congress 750,000 l. (SM \$145,000) (cf. 6 Feb 1778).
- 31 Dec 1781: During 1781, the States had issued paper money [7.2-52]: Massachusetts (\$483,500 estimated), New York (\$411,250), New Jersey (\$800,000), Pennsylvania (\$1,330,000), Virginia (\$87,500,000), North Carolina (\$26,250,000), and South Carolina (\$4,182,365 estimated). Meanwhile, \$1,179,249 of new emission had been issued in 1781 by Congress, and the total of "new emission" was \$2,070,485 [7.2-53].
- 7 Jan 1782: The Bank of North America began operations in Philadelphia. The capital consisted of SM \$70,000 in hard money from individuals and SM \$254,000 from Congress, using proceeds from one of the foreign loans. Robert Morris, head of the Bank, used some employees to deter people from redeeming the notes issued by the Bank, and they soon traded at par with the Spanish dollar.
- 27 Feb 1782: The Parliament of Great Britain passed a resolution declaring that the war in America was over.
- 1 Apr 1782: France loaned Congress 1,500,000 l. (SM \$291,000) (cf. 6 Feb 1778).
- 4 Apr 1782: Trade in hard money was common among the people by this time (probably since early 1780) since a great deal had been brought in by the British but hoarded until the Continentals were withdrawn. Thomas Paine wrote in the Pennsylvania Packet of 4 Apr 1782 [7.2-54]:
- "The progress and revolution of our domestic circumstances are as extraordinary as the Revolution itself. We began with paper, and we end with gold and silver."
- 17 May 1782: Robert Morris, superintendent of finances, wrote to Congress explaining the financial situation [7.2-55]:
- "The habitual inattention of the States has reduced us to the brink of ruin, and I cannot see a probability of relief from any of them. I rather perceive a disposition to take money from the public treasury, than to place any in it. A variety of causes prevents the collection of taxes, and delays the payment of them, even after they are collected. In many States they are not laid. ... The public departments are now absolutely at a stand, for the want of money, and many things already commenced I must desist from. This cannot be wondered at, when it is considered, that near five months of the present year have elapsed without my having received anything on account of its expenditures, except the trifling sum of five thousand, five hundred



dollars, and that sum, calculating on the expenses of eight millions annually, is about one-fourth of what is necessary to support us for a single day."

- 1 Jul 1782: France loaned Congress 1,500,000 l. (SM \$291,000) (cf. 6 Feb 1778).
- 5 Jul 1782: France loaned Congress 3,000,000 l. (SM \$582,000) (cf. 6 Feb 1778).
- 11 Jul 1782: The British surrendered Savannah, GA; this ended the war militarily.
- 16 Jul 1782: Benjamin Franklin negotiated a contract with France, documenting the loans that France had made or guaranteed, along with a repayment schedule [7.2-56]. Per the 1778 treaty, the Louis XVI of France loaned Congress 18,000,000 livres (SM \$3,492,000) at 5% interest, although interest was waived until the peace treaty with Britain. The loans and guarantees were as follows:
- 1778: 750,000 l. (SM \$145,500) on 4 occasions: 28 Feb, 19 May, 3 Aug, and 1 Nov 1778.
  - 1779: 250,000 l. (SM \$48,500) on 4 occasions: 10 Jun, 15 Sep, 4 Oct, and 21 Dec 1779, plus 1,000,000 l. (SM \$194,000) on 27 Nov 1779.
  - 1780: 750,000 l. (SM \$145,000) on 4 occasions: 29 Feb, 23 May, 21 Jun, and 5 Oct 1780.
  - 1781: 750,000 l. (SM \$145,000) on 4 occasions: 15 Feb, 15 May, 15 Aug, and 15 Nov 1780; plus 1,000,000 l. (SM \$194,000) on 1 Aug 1780.
  - 1781: France guaranteed a loan of 10,000,000 l. (SM \$1,940,000) from Holland on 5 Nov 1781.
  - 1782: 1,500,000 l. (SM \$291,000) on 2 occasions: 10 Apr and 1 Jul 1782, plus 3,000,000 l. (SM \$582,000) on 5 Jul 1782.
- 4 Sep 1782: Congress requisitioned SM \$1,200,000 from the States [7.2-57], but did not require it be paid directly to Congress. The States were to use the revenue to pay down loan office certificates and other U. S. debt payable in their own States.
- 14 Sep 1782: Congress authorized a loan from France for SM \$4,000,000; a net loan was obtained for SM \$1,089,000 (6,000,000 livres) [7.2-58].
- 16 Oct 1782: Congress requisitioned another SM \$2,000,000 from the States [7.2-59].
- 31 Dec 1782: The States did not issue any of their own paper money in 1782 [7.2-60].
- 1 Jan 1783: The financial condition was as follows [7.2-61, 7.2-62]: Total foreign debt = SM \$7,885,085; domestic debt = SM \$34,115,290; arrears due on both foreign and domestic debt = SM \$2,415,956, excluding approximately SM \$20,000,000 in debts contracted by the several States during the war. The State debts were later absorbed by the United States under the Constitution at SM \$21,500,000.
- 20 Jan 1783: Britain, France, Spain, and the U. S. signed the preliminary articles of the Treaty of Paris that would end the Revolutionary War.
- 23 Jan 1783: Congress ratified the agreement with France made on 16 Jul 1782.
- 5 Feb 1783: Congress passed a resolution in which officers received one month's pay in notes [7.2-63]; private soldiers received one month's pay which was delivered in weekly installments of 50 cents each. The total for this one month's pay was SM \$256,232.86.
- 21 Feb 1783: France loaned 600,000 l. (SM \$116,400) to Congress, but Louis XVI made it clear that he was unwilling to loan any more since America's credit was so bad (but see 15 Apr 1783).
- 18 Mar 1783: General Washington wrote an appeal to the President of Congress and its members on behalf of the "Patriot Army." In it he recounted the Newburgh circular, his address on it, and the favorable response he received from the officers; he reiterated the army's long sufferings; he noted the obligation of Congress to treat the army justly; he reminded them of previous assurances given by

Congress; and finally he urged Congress not to leave the army in want and destitution, as it would always be remembered as a sign of Congress' ingratitude for services rendered by the army [7.2-64]. He also recommended that men who had been promised half pay for life would be better served by full pay for a fixed number of years.

- 22 Mar 1783: Congress agreed to a resolution per General Washington's suggestion on payment to the army [7.2-65]. It modified the pay provision for soldiers from half-pay for life to full pay for five years at once, known as the commutation. The lump sum was to be paid by issuing certificates bearing 6% interest. This was a good bargain for the government, as it would reduce the total outlay, since most soldiers would likely live more than ten years. It would also benefit the soldiers, who, having left their farms and occupations, would find a lump sum handy in getting back on their feet. But the public was opposed to it, angry that such a large amount was to be paid at once, since their wages were small in comparison. The public had forgotten the sacrifices made by the army, and became occupied with their own problems.
- 15 Apr 1783: Congress ratified the peace treaty with Great Britain, formally ending the war. France loaned 6,000,000 l. (SM \$1,164,000) to Congress [7.2-66]. This was the last Louis XVI could do.
- 18 Apr 1783: Congress passed a resolution [7.2-67] to recommend to the States that Congress be given a power to levy duties for a period of 25 years on certain imported items in order to raise revenues to pay the debts of the war. The items on which duties were to be paid amounted to between 1.1% to 26.6% on rum and other liquors, wines, tea, pepper, sugar, molasses, cocoa, and coffee; in addition to a 5% duty on all other items. It was estimated at this time that the import duties would bring about SM \$1,000,000 annually to Congress. The resolution also recommended that a standing annual requisition of SM \$1,500,000 be apportioned to the various States according to population (New Hampshire: SM \$52,708; Massachusetts: SM \$224,427; Delaware: SM \$22,443; Maryland: SM \$141,517; Rhode Island: SM\$ 32,318; Virginia: SM \$256,487; Connecticut: SM \$132,091; North Carolina: SM \$109,006; New York: SM \$128,243; South Carolina: SM \$96,183; New Jersey: SM \$83,358; Georgia: SM \$16,030; and Pennsylvania: SM \$205,189). It was sent to the States on 26 Apr 1783 with an address by James Madison, Alexander Hamilton, and Oliver Ellsworth in which they outlined the need for revenue, as the current debt amounted to SM \$42,000,325 (including SM \$5,000,000 for the commutation) with an annual interest due of SM \$2,415,956. Congress remained helpless in the meantime, since all thirteen States would have to ratify this amendment to the Articles before the revenue could be collected.
- 2 Jun 1783: The Continental Army received immediate discharge furloughs [7.2-68]. But Congress was unable to pay the three months salary that had been promised in Apr 1783. Instead, the soldiers received paper notes bearing 6% interest; the cash value was estimated at 10% of face value. The soldiers of the Continental Army, who had defeated the British Empire, dispersed peacefully and went home with no money in their pockets.
- 3 Sep 1783: British negotiators signed the Treaty of Paris, ending the Revolutionary War. The terms of the treaty included the following provisions: a) loyalists were to be compensated for loss of property suffered during the war; b) British creditors holding private debt were to be paid in full; c) there would be no persecution of loyalists; d) opportunity would be provided for loyalists to recover estates lost during the war; e) private debts owed to loyalists would be paid in sterling; and f) Britain would give up forts in the western New York and the Ohio Valley. But Congress had no power to force any of the States to observe any of these provisions.

At the return of peace, trade between the States and England resumed, as there was still considerable demand for English products. However, since the Continental currency had collapsed, the Americans had to pay for imports in hard money. The war had left many areas ruined. In the south, the farms had not recovered enough to resume trading in indigo, rice or tobacco. The same problem prevailed in the middle States, and they were unable to pay as they normally would, by exporting wheat and furs. The New England States fell on hard times because shipping had become unprofitable owing to the Navigation Acts. Many in the States were living off the land, and resorted to barter to obtain what they needed. Many demagogues claimed that the remedy was cheap paper money, and some States began to issue worthless paper in order to give the illusion of prosperity.

Although not perceived as such at the time, the treaty ending the war began the most crucial period in the history of America [7.2-69]. The American States were surrounded on the south and west by Spanish lands, and on the north by Canada, which was still a British colony. The big risk was that the States now had no common enemy, and without some sort of unifying force, would degenerate into thirteen petty republics bickering among themselves. They were also vulnerable to encroachment by the larger and more organized European powers.

- 3 Nov 1783: The Continental Army was formally disbanded [7.2-70], even though the British still occupied New York City. The main problem was that Congress could no longer afford to maintain the army; in fact, it owed considerable back pay to the soldiers. Many soldiers begin to think they would never get paid, and there was widespread dissension and distrust of Congress. Many members of the army from Pennsylvania, Maryland, Delaware, and Virginia had been previously furloughed on 26 May, 11 Jun, 9 Aug, and 26 Sep 1783.
- 31 Dec 1783: Of the SM \$8,000,000 that had been requisitioned 30 Oct 1781, only SM \$1,486,155 had been paid [7.2-71]. During 1781, the States had issued paper money [7.2-72]: Massachusetts (\$483,500 est.), New Jersey (\$85,000), Pennsylvania (\$300,000), North Carolina (\$100,000), and South Carolina (\$4,182,365 estimated).
- 1 Jan 1784: Thomas Jefferson estimated the national debt to be about SM \$68,000,000; about SM \$8,000,000 was due from foreign loans; SM \$36,500,000 represented the debts of the several States incurred during the war, and the rest was due to individuals or to States. Congress had made many requisitions to the States during the war, and the current status was [7.2-73, 7.2-74]:
- Of the 19 May 1779 requisition for SM \$45,000,000, none had been paid.
  - Of the 30 Oct 1781 requisition for SM \$8,000,000, States had paid as follows: New Hampshire: \$3,000 of \$373,598; Massachusetts: \$247,677 of \$1,307,596; Rhode Island: \$67,848 of \$216,684; Connecticut: \$131,578 of \$747,196; New York: \$39,064 of \$373,598; Pennsylvania: \$346,633 of \$1,120,794; Delaware: zero of \$112,085; Maryland: \$89,302 of \$933,996; Virginia: \$115,104 of \$1,307,594; North Carolina: zero of \$622,677; South Carolina: \$344,302 of \$373,598; Georgia: zero of \$24,905.
  - States were credited with having paid the SM \$1,200,000 requisition of 4 Sep 1782.
  - Of the 16 Oct 1782 requisition for SM \$2,000,000, none had been paid.
- 5 Feb 1784: John Adams was able to get a loan from moneylenders in Holland [7.2-75] for 2,000,000 guilders (SM \$1,176,000) at 6% interest.
- 5 Apr 1784: Thomas Jefferson, as head of a finance committee in Congress, delivered a report [7.2-76] on the finances of the Confederacy. The expenses for 1784 were estimated as: a) SM \$457,525 for public services; b) SM \$442,648 for interest on foreign debt; c) SM \$3,580,030 for interest on domestic

debt; and d) SM \$1,000,000 debts contracted but still unpaid from 1782 and 1783, which totaled to about SM \$5,480,203. This figure was not practical as a revenue target. Jefferson proposed that the States be given credit for the SM \$1,200,000 that had been requisitioned on 4 Sep 1782 (included in the SM\$3,580,030 number), since it had given the States leeway to use it to pay interest due on certificates issued by the States and other liquidated debts. He then recommended that a new requisition be ordered that would get the States up to three-fourths of the original SM \$8,000,000 that had been requisitioned on 30 Oct 1781. He calculated the apportionment, deducting for some receipts that had been made, and requested a requisition for 1784 of SM \$4,577,591. This would be enough to meet the current needs. It was voted down by Congress, probably realizing the demands on the States were too great.

- 28 May 1784: Congress established a Board of Treasury to manage the finances, although it did not go into operation until 25 Jan 1785 [7.2-77].
- 3 Jun 1784: Congress passed an act specifying how accounts were to be settled with the States: a) Supplies that the States had furnished were to be assessed at their value in specie, plus 6% interest from the date they were provided; b) depreciation of the Continentals was accounted for; c) creditors of the U. S. were given certificates bearing 6% interest; d) old certificates issued by the Army officers could be exchanged for new ones [7.2-78].
- 17 Aug 1784: Robert Morris, superintendent of finances, informed French officials that the U. S. would default on its interest payment on the 10,000,000 livre loan from Holland that France had guaranteed (cf. 5 Nov 1781) [7.2-79]. He also informed the French officials that no interest could be paid on the direct loans from France. These defaults ruined American credit.
- 25 Jan 1785: The Board of Treasury went into operation, with John Lewis Gervais, Samuel Osgood, and Walter Livingston appointed to manage the finances.
- 6 Jul 1785: Congress defined the U. S. dollar as 375.64 grains of fine silver [7.2-80], and adopted a decimal system for smaller amounts (mills, pennies, nickels, dimes, quarters, and half-dollars). A mill is a tenth of a penny.
- 13-14 Jul 1785: A committee in Congress led by James Monroe introduced a motion [7.2-81] to amend the Articles of Confederation to grant Congress the power to regulate foreign commerce, levy import duties, send and receive ambassadors, enter treaties and alliances, and establish courts for trial of piracy, if eleven States were agreeable. Monroe's committee had concluded that granting such a power was desirable: a) a tax on foreign goods would aid domestic manufacturers; b) Congress would be able to deal reciprocally with foreign powers, such that America would not always be at a disadvantage; c) it would allow uniform commercial rules among the States; and d) it would prepare the way for the establishment of a navy to protect commerce. Richard Henry Lee of Virginia led the opposition to it, noting that granting powers to Congress would: a) endanger liberty; b) may tempt Congress to expand its powers even further; and c) increase the risk of undue foreign influence upon Congress if powers affecting foreign nations were concentrated in Congress. He also argued that the interests of the northern and southern States were different. Lee feared that the northern States would use their numerical advantage to vote themselves benefits in the carrying trade that would serve to impoverish the southern States (since it had no shipping industry). Congress took no action on it, preferring to leave propositions for amending the Articles to the several State legislatures.
- 13 Sep 1785: The charter of the Bank of North America was revoked by the State of Pennsylvania. This was revenge for the bank's opposition to issuing additional paper money, as many in Pennsylvania

continued to believe that paper was the source of wealth. The Bank continued operations, since it had a second charter issued by Congress [7.2-82].

27 Sep 1785: Congress requisitioned SM \$3,000,000 from the States; none of it would ever be paid. Estimated expenses for 1785 totaled SM \$404,553 for military and civil department; SM \$440,252 for interest on the foreign debt, and SM \$743,054 for interest on the domestic debt. Also, interest on certificates issued to the soldiers was SM \$289,423, and the actual expenses for 1784 had exceeded that years' estimate by SM \$1,141,551 [7.2-83]. Tax evasion was the common default position:

"Were States ever so able to bear taxation more disinclined to do their duty in this regard? Everywhere did individuals seek to evade the payment of taxes; not because they were too poor to pay, for the sums asked were small compared with the resources of the people, but rather from habit, and because evasion of the duty was so general."

1 Feb 1786: Of the four requisitions upon the States since 30 Oct 1781, totaling SM \$15,670,987, only a total of SM \$2,450,803 had been paid by the States [7.2-84]. Congress decided to allow holders of the unpaid certificates issued by Congress should present them to the loan offices in the States where they were issued, to be turned in for new ones after being assessed as to their current value in specie [7.2-85].

15 Feb 1786: The minimum anticipated expenses for 1787 associated with payment of interest on foreign loans and other foreign obligations was SM \$577,307, including: a) interest on loans from France, SM \$240,741; b) interest on certificates to foreign officers payable in France, SM \$22,370; c) interest on a loan from Spain (to Mar 1787), SM \$48,596; and d) interest on a loan from Holland (to Jun 1787), SM \$265,600. The total receipts since 1781 amounted to SM \$2,457,987: a) from requisitions made between 1 Nov 1781 and 1 Nov 1784, SM \$2,025,089; b) from requisitions made between 1 Nov 1784 and 1 Jan 1786, SM \$432,898 [7.2-86].

8 Aug 1786: Congress established a coinage standard, per the decimal system organized in Jul 1785 [7.2-87]. A dollar was defined as 375.64 grains of pure silver, or 24.6268 grains of pure gold. The fineness of the coinage was to be 11/12 (0.91666 fine). The ratio of gold to silver was thus 15.253 to one. It also specified two gold coins, one of ten dollars (Eagle) containing 246.268 grains of fine gold, and the other of five dollars (Half Eagle) containing 123.34 grains of fine gold. However, only the copper coins were actually minted.

23 Aug 1786: Congress authorized the issue of certificates, called 'indents', for payment of accrued interest on loan-office certificates and other debts. But these did not pay the debt or help the creditors, since there was very little coming in from the requisitions made on the States [7.2-88].

18 Sep 1786: Congress ordered the States to pay the requisitions in specie, declining to accept any type of paper money, including the Continentals. Meanwhile, the notes issued by the Bank of North America circulated at par; the bank had good credit because it had demonstrated its ability to redeem on demand. Its cash account was \$5,957,000 Mexican dollars [7.2-89].

19 Sep 1786 to 1 Mar 1787: Shays' Rebellion began, which was a revolt led by Daniel Shays in Vermont, Massachusetts, New York, and New Hampshire, over the decline in value of the paper money, high taxes, and foreclosures. This rebellion and the continuing inability of Congress to raise money led to the calling of the Constitutional Convention.

20 Sep 1786: Congress refuses to accept the Continentals in payment of taxes or even postage stamps. This marked the formal end of the Continental paper money [7.2-90].



- 17 Oct 1786: Congress asked the States for a requisition of SM \$3,777,062, of which SM \$1,606,632 to be in 'indents', and SM \$2,170,430 in specie. Congress was now allowing people to pay part of their taxes in 'indents' instead of money. The annual interest on the domestic debt was at this time SM \$1,606,560 [7.2-91].
- 31 Dec 1786: Congress had received approximately only SM \$500,000 requisitioned from the States in the past two years [7.2-92]; Congress was delinquent on its interest payments.
- 1 Mar 1787: End of Shays' rebellion (cf. 19 Sep 1786).
- 25 May 1787: The Constitutional Convention began in Philadelphia.
- 17 Sep 1787: Proposed Constitution sent to the States for ratification.
- 22 May 1788: A committee of Congress reported that there had been a great deal of negligence and fraud in the handling of the government's accounts during the war, and in resolving accounts between Congress and the States. Some time was allowed to straighten out the accounts, but was never satisfactorily accomplished [7.2-93].
- 21 Jun 1788: New Hampshire became the ninth State to ratify the Constitution, and it went into effect (excluding Virginia, New York, North Carolina, and Rhode Island, since they had not yet ratified it).
- 30 Sep 1788: A committee in Congress issued a report on the finances concerning revenues remitted to Congress from the tax receivers between Nov 1784 and 21 Apr 1788. Between Nov 1784 and 21 Apr 1785, only SM \$143,648 had been remitted, and from 21 Apr 1785 to 21 Apr 1788, only SM \$996,448 was remitted. The rest that was obtained by Congress [7.2-94] for this period consisted of SM \$1,881,139 in 'indents' (certificates of interest) and a fairly small amount from sale of public land.
- 24, 25 Nov 1788: South Carolina held elections for members of Congress.
- 26 Nov 1788: Pennsylvania held elections for members of Congress.
- 15 Dec 1788: Voting for the office of President began in the States (cf. 10 Jan 1789). Also, New Hampshire held elections for members of Congress.
- 18 Dec 1788: Massachusetts held elections for members of Congress.
- 22 Dec 1788: Connecticut held elections for members of Congress.

Note (cf. 13 Sep 1779): Elliot [7.2-95] cites Jefferson's claim that the C \$50,000,000 authorized on 14 Jan 1779 was C \$24,447,620 for new emission, the rest to replace mutilated bills. Schuckers [7.2-96] shows this as C \$25,552,780, but as an addition to the C \$50,000,000. Schuckers also cites an additional C \$10,000,000 to replace counterfeit bills, but he does not cite the date. Admittedly, none of these are consistent; Schuckers gives the total of issued Continentals as C \$359,547,126.

### 7.3 Data, 1775-1788

Figure 7.3-1 shows the accumulated amount of Continentals issued along with the value of the Continental with respect to the Spanish Milled Dollar. The black curve (accumulated emissions) is read on the left scale and the red curve (relative value) is read on the right. At the end, in May 1781, the Continental dollar had depreciated to the point where it traded for two-tenths of a penny as seen at lower right.



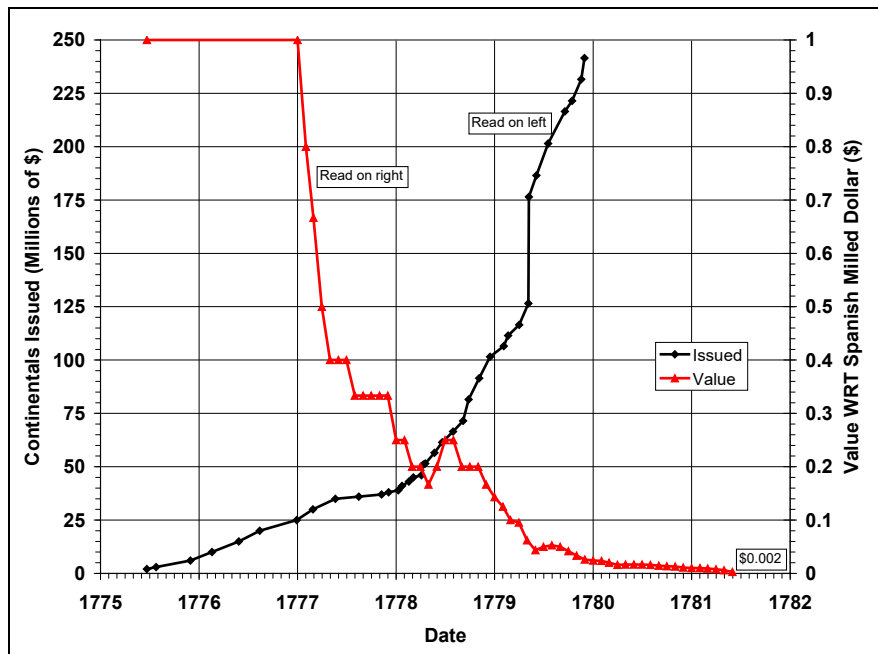


Figure 7.3-1: Continentals Issued and Value With Respect to the Spanish Milled Dollar

#### 7.4 Summary, 1775-1788

So ends the history of the Continental paper money. There are some important lessons to be learned from this history. First, the Continentals were essentially fiat paper money, backed only by a promise of future redemption at interest. The history showed that such a promise could not be kept for the same reason the Continentals were issued in the first place: Congress, which claimed to have the power to direct the Revolution, did not have the power to raise a single penny in taxes. Without a reliable revenue stream, Congress had no choice but to risk depreciation, continue borrowing, and default; confident that the slack would be eventually be taken up by patriotism. They were correct in that estimation as it turned out, but a great many people lost everything they had worked for, and many took great losses by accepting the depreciating Continentals at face value. In fairness to Congress, there probably was no other way to finance the Revolution, and the Continentals succeeded long enough to get the Americans through the early parts of the war in the North.

Secondly, the British engaged in a great deal of counterfeiting of the Continentals, hoping it would drive the Americans into despair and end the revolt. As Bolles [7.4-1] put it:

"Many in Great Britain and elsewhere believed, that, if Continental paper money could be destroyed, the Americans would be obliged to submit, from lack of funds to maintain their cause. This is why the British Government promoted so extensively the business of counterfeiting. But General Clinton wrote truthfully, in January 1780, "Every day teaches me the futility of calculations founded on its failure." Great Britain had not yet fathomed that depth of American patriotism, what the people were willing to suffer to acquire independence; nor had the mother-country reckoned accurately the aid which France was to bestow."

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Third, price controls do not work, as no one will sell for money that is declining in value unless he can elevate the price. If an official price is below the price of production, or below the price that commands a reasonable profit, that item will not be produced at all. In that case, one of two things will happen. Either there will exist shortages (which is what governments claim they are trying to prevent), or the government itself will have to take up production.

Fourth, a fiat paper money must be made a legal tender because that is the only way to ensure that it will be accepted at all if there is competing money of better quality (cf. 14 Jan 1777). The fines and forfeitures had little effect as once again economic reality superseded the desires of Congress.

Fifth, as soon as the public realized the money was depreciating, they began to buy real property and increase their debts, knowing that it can be paid off easily in depreciated money later [7.4-2]. They also are tempted to engage in speculation.

Sixth, the depreciated Continentals were eventually withdrawn from circulation, starting in 1782. They were still accepted in payment of taxes, and were exchanged for bills of the new emission, and were exchanged for other money [7.4-3]. They were eventually redeemed for a small fraction of their face value (cf. 28 Jun 1780) and became obsolete; they were collected up and burned.

Seventh, Gresham's law was in full force. The paper circulated while the people hoarded the good money of gold and silver; when the paper depreciated to virtually nothing, the gold and silver went back into circulation (cf. 4 Apr 1782).

Eighth, the persecutions of those who refused the depreciating money failed to restore its value; they depreciated anyway because people realized the true declining value [7.4-4].

Ninth, there was a considerable amount of corruption and incompetence in handling the public finances; Bolles writes, summarizing the report of 30 Sep 1788 [7.4-5]:

"The remainder of the report is, for the most part, a continuation of the dismal story. Extraordinary negligence, wastefulness, disorder, and corruption marked the early years of the government; even in the darkest periods through which the country has since passed, it may be questioned whether a greater lack of system or moral rectitude has prevailed."

Last, despite the inconveniences and moral hazard of the Continentals, it did serve to finance the revolution; there was no other way. Schuckers notes [7.4-6]:

"When, therefore, the Second Continental Congress - an immortal body! - addressed itself to a consideration of the finances, almost immediately upon its meeting, May 10th, 1775, nothing was more natural and probable than a prompt resort to paper money. First, it provided for the creation of an army. Having done this, and entirely conscious that a supply of cash [specie or coin] ... the members of the Congress being entirely aware, then that the supply of cash was inadequate even for the current and ordinary business of the colonists, immediately betook themselves to bills of credit..."

Brough summarizes its utility in retrospect [7.4-7]:

"Notwithstanding all the difficulties attending the use of this money [i.e., Continentals], it rendered considerable service to the colonists, and was generally admitted, even by its opponents, to have done excellent service during the revolutionary war. Thomas Paine said of it [in a letter to Abbe Raynal], 'Every stone in the bridge that has carried us over seems to have a claim on our esteem. But this was the cornerstone, and its usefulness cannot be forgotten.'"

Former Treasury Secretary Gallatin commented in 1831 on paper money and the necessity thereof during the Revolution [7.4-8]:

"The general objections to a paper issued by government, have already been stated at large. Yet it must be admitted, that there may be times when every other consideration must yield to the superior necessity of saving or defending a country. If there ever was a time, or a cause which justified a resort to that measure, it was the war for independence. It would be doing gross injustice to the authors of the revolution and founder of that independence, to confound them with those governments, which from ambitious view have, without necessity, inflicted that calamity on their subjects. The old Congress, as the name purports, were only an assembly of plenipotentiaries, delegated by the several colonies or states. They could only recommend, and had not the power to lay taxes; the country was comparatively poor; extraordinary exertions were necessary to resist the formidable power of Great Britain; those exertions were made, and absorbed all the local resources; the paper money carried the United States through the most arduous and perilous stages of the war; and, though operating as a most unequal tax, it cannot be denied that it saved the country. ... It is to be hoped that a similar state of things will not again occur; but at all events, the issue of a government paper ought to be kept in reserve for extraordinary exigencies."

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