Cents and Sensibility

Defining America’s currency in the 18th century was no easy task. If Thomas Jefferson had not prevailed, we might be calculating change for a dollar in units of 1,440.

Leaders of the new American Confederation of sovereign states faced a full agenda when they first met in Congress in 1781. After the colonists won independence from Great Britain, elected representatives from each of the new states met to resolve a wide range of issues as they struggled to define the nation’s identity. Progress was slow, however, because at least 9 of the 13 state delegations had to agree on legislative proposals.

On July 6, 1785, after 40 months of intermittent discussion that began in January 1782, Congress adopted a resolution to establish the dollar as the national monetary unit. The new government recognized that the country urgently needed to create a unified coinage system. With the coins of many countries in circulation, the infant nation’s money supply was chaotic. Superintendent of Finance Robert Morris offered a plan that would introduce a different set of disruptive monetary equations. A well-considered counter-proposal by Thomas Jefferson provided the United States with the system we have today.

The Difficulties of Diversity

In the 21st century, United States citizens are not overly concerned with the monetary value of the coins or currency they use in everyday transactions: 10 cents buys a dime’s worth of goods; $100 purchases goods or services valued at a “C-note.” But the same cannot be said of the money in circulation in the 1780s. The War of Independence was financed by paper money issued by the Continental Congress and the various states. These promissory notes depreciated quickly and were worth only a fraction of their face value.

Some states, primarily those in New England, minted small-denomination coins. Private tokens functioned as coinage in some locales. Coins of

U.S. COINAGE

by John A. McGeachy
ANA 172303

To facilitate use, Continental Currency was based on the Spanish milled dollar.
MORRIS NOTED THAT the Spanish milled dollar was the most stable of all monies . . . , and he used that coin as a standard for his proposed system.

other nations frequently served as mediums of exchange. A variety of coins changed hands to complete business transactions throughout the new nation: gold coins from France, Portugal, Spain and Britain; Spanish silver coins; British halfpence; and French sous. The Spanish milled dollar, or “piece of eight,” was the most commonly encountered coin in the Confederation.

Merchants had to worry about the “fineness” (the amounts of precious metal and alloy) of the coins they received because they might not be worth their intrinsic value. They also needed to know exchange rates for the various monies received, and how to convert those amounts to a single monetary system for ledger entries. Most American merchants used the British method of pounds, shillings and pence for their accounts.

A Convoluted Concept

CONGRESS RECOGNIZED THAT this state of affairs was inefficient, to say the least. On January 4, 1782, it addressed the problem by appointing a three-member committee to “ascertain the value and weights . . . of all foreign coins.” The committee passed the responsibility of investigating foreign coinage to Finance Superintendent Morris, who responded on January 15.

Instead of addressing the committee’s mandate, however, Morris submitted his own comprehensive proposal for regulating the country’s coinage. He advocated the adoption of a monetary standard based on silver, and the establishment of a mint. The nation’s new coinage should have an “affinity” to its old money, its lowest divisible unit should be very small, and its units should increase in a decimal ratio, he said.

Morris noted that the Spanish milled dollar was the most stable of all monies found in the country, and he used that coin as a standard for his proposed system. Comparing the exchange rate of the Spanish dollar with the coins of the different states, he determined a common denominator that would allow exchanges to take place without resulting in a fractional unit. From these mathematical gymnastics, he reasoned that 1,440 units should be the sum of the new dollar, and he proposed that coins be struck in values of 5, 8, 100, 500 and 1,000 units.
CONGRESSIONAL RULINGS ABOUT the composition of the nation’s coinage languished until June 1783, when Thomas Jefferson was elected to Congress . . .

The Congressional committee accepted Morris’ report, but gave the matter of the nation’s coinage no further attention. The committee itself was reconstituted, and in 1783 a new member, William Hemsley, asked Morris to restate his coinage plan. A subordinate of Robert Morris, Gouverneur Morris (no relation), replied to the request. The subsequent report set out the arithmetic Robert Morris had used to determine the number of units in a dollar.

At the time, a Spanish milled dollar had four nominal values in America, exclusive of South Carolina. In Georgia, for example, it was worth 60 pence, or 1/60 of a Georgia pound. Under the Morris proposal, a Georgia penny was worth 24 units of a new national dollar. The exchange rate for South Carolina money was such that 13 of its pence equaled 48 units. Including South Carolina’s money in the Morris mathematics would have necessitated the smallest fractional unit to be 1/18,720 dollar, a unit so minute that even Robert Morris evidently did not care to contemplate it.

Hemsley received this information from Gouverneur Morris, but his committee took no action. Robert Morris did not pursue the matter either; instead, he turned his attention to the physical problems of establishing a mint and finding employees and equipment. Congressional rulings about the composition of the nation’s coinage languished until June 1783, when Thomas Jefferson was elected to Congress and became chair of its currency committee.

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*SMD = Spanish Milled Dollar