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IS PAPER MONEY JUST PAPER MONEY? EXPERIMENTATION AND LOCAL
VARIATION IN THE FIAT PAPER MONIES ISSUED BY THE COLONIAL GOVERNMENTS
"....."OF BRITISH NORTH AMERICA, 1690-1775
PART I

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Is Paper Money Just Paper Money? Experimentation and Local Variation in the Fiat Paper Monies Issued by the Colonial Governments of British North America, 1690-1775: Part I
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ABSTRACT

The British North American colonies were the first western economies to rely on legislative-issued fiat paper monies as their principal internal media of exchange. This system arose piecemeal. It was monetary experimentation on a grand scale. In the absence of banks and treasuries that exchanged local fiat monies at fixed rates for specie monies (outside monies) on demand, colonial governments experimented with other ways to anchor their fiat monies to real values in the economy. These mechanisms included tax-redemption, interest-bearing notes, land-backed mortgage loans, sinking funds, and legal tender laws. The structure and performance of these mechanisms are explained.

"[The colonies] cannot keep Gold and Silver among them sufficient for the Purposes of their internal Commerce... Paper Bills called Bills of Credit or Paper Money have therefore in the colonies long been substituted for real Money. Various Ways of issuing these and on different Foundations, have at different Times been thought of and practised.... On the whole no Method has been found to give any Degree of fixed, steady, uniform Value to Bills of Credit in America,..." (Benjamin Franklin, 13 Feb. 1767)

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