The Value of Money in Colonial America [1]

When you examine records of daily life in the colonies, you will frequently see references to money -- the value of goods in a will or probate inventory, prices of goods for sale, or rewards for the return of freedom-seeking enslaved people or servants. That isn't surprising -- consider how often money comes up in casual conversation, emails, newspapers, and television today. ("You paid *how* much for that?")

But reading eighteenth-century references to money can be like reading a foreign language. We have one unit of currency (dollars) and a neat decimal system, but colonists used several overlapping currencies, all linked to the English monetary system -- which itself had three different units and countless colloquial denominations. (Shilling? Half a crown? Tuppence?) And even if you can translate all the terms into raw numbers, it's hard to know what those numbers meant to people. How much was a pound worth? What could it buy?

This primer will help you understand the value of money in colonial America -- what kinds of money were used, how people accounted for it, how they got it, and what it could buy.

Kinds of money

Pounds, shillings, and pence

This system is certainly more complicated than dollars and cents, but it has its own logic. Because a pound was worth 12×20 pennies, it could be divided evenly by 2, 3, 4, 5, 6, 10, 12, 15, and 20. (By contrast, you can't evenly divide a U.S. dollar three ways -- let alone 6, 12, or 15.) In a time when few people used formal accounting and most arithmetic was mental, it was convenient to have currency that could be evenly divided in many ways.

Colonists counted their money by the English system of pounds, shillings, and pence -- twelve pence (pennies) per shilling, and twenty shillings per pound.

As you might guess, when this system of money developed in the Middle Ages, it was tied up with measures of weight. Formally, pounds were referred to as *pounds sterling*, because a monetary pound was originally worth one pound of sterling silver.

The symbol for the pound is £, based on the letter L for *libra*, which was the basic Roman unit of weight just as the pound is the basic English unit of weight. Shillings were abbreviated *s*, which didn't stand for shillings but for *solidus*, a Roman coin. Pence were abbreviated *d*, which stands for *denarius*, a smaller Roman coin. (Sometimes *p* was used to stand for pounds, as well.) £12 10s. 6d., then, was twelve pounds, ten shillings and sixpence.

Often, values were written in a shorthand that looks like decimal numbers -- for example, £3.10.06 is three pounds, ten shillings, and sixpence. Sometimes colons were used instead of periods (£3:10:06).

Here are some examples of the abbreviations you might find in eighteenth-century documents:

Abbreviation	Value
£2.10.06	2 pounds, 10 shillings, 6 pence
50.	50 pounds
.2.6	2 shillings, 6 pence
£4:05:00	4 pounds, 5 shllings, no pence
2s 6d	2 shillings, 6 pence
£10 5s 4d	10 pounds, 5 shillings, 4 pence

The United Kingdom converted to a decimal system of money in 1971, so today a pound is worth 100 pence. (To complicate the work of a student historian, the abbreviation *p* now stands for pence, so "50p" is 50 pence, or half a pound.) There is no longer a shilling, which makes accounting far simpler but makes British money considerably less interesting to foreigners!

Other coins and terms

Just as we use quarters [2], nickels, and dimes, the English had (and still have) other kinds of coins besides pennies and shillings, and some of those coins had colorful names. Here are some of those coins and their denominations (values):

- Farthing: $^1/_4$ penny
- Half penny (*ha'penny*): $^1/_2$ penny
- Penny: 1 penny (obviously)
- Tuppence: Not actually a coin, but "two pence" was pronounced "tuppence" and you may see it written that way.
- Threpenny bit: 3 pence
- Sixpence or *tanner*: 6 pence
- Shilling or *bob*: 1 shilling (12 pence)
- Half-crown: 2 shillings and 6 pence
- Crown: Five shillings
- Half sovereign: 10 shillings (gold coin)
- Mark: $^2/_3$ pound (13 s 4 d). Used for accounting only; no coin worth this amount was minted.
- Quid: Slang for a pound.
- Sovereign: 1 pound (gold coin)

- Guinea: 21 shillings (1 pound + 1 shilling). Used in auctions; the bid was placed in guineas, the seller received that number of pounds, and the auctioneer or merchant [3] received that number of shillings. The coin was called a *guinea* because it was made of gold from Guinea (Ghana, in West Africa) and was perhaps most famously used in the trans-Atlantic slave trade. There were also coins worth 5 guineas, 2 guineas, $^1/_2$ guinea, $^1/_3$ guinea, and $^1/_4$ guinea.

Money shortage

The English pound was the standard, but it wasn't the only kind of money in circulation. *Mercantilism*, the prevailing economic philosophy of the 1700s, held that a nation should accumulate as much gold and silver -- hard currency -- as possible, by exporting more goods than it imported. England saw its colonies as a great market for finished goods, while it permitted colonists to export only raw materials. As a result, there was always a shortage of money in the colonies.

The idea of a money shortage may be hard to understand today. We've all been short on cash, but in colonial America, *nobody* had enough cash. There wasn't enough cash to go around -- not enough to cover the value of all the goods and services that were available to be bought and sold.

Today, in the United States, the Federal Reserve manages the money supply so that there is always enough money available and the economy can continue to grow. In the 1700s, not only was there no Federal Reserve, but the policies of the English Parliament and Crown actually restricted the amount of money available in the colonies -- and made commerce [4] difficult, as a result.

Proclamation money

To get around the shortage of money, colonial governments printed paper money, and colonists used whatever foreign currency they could get their hands on -- emish dollars, for example. Today, global trading in currency sets exchange rates, but there were no international banks to set exchange rates in the 1700s. Instead, each colony set an official value in pounds, shillings, and pence on paper money and foreign coin. Because their value was set by proclamation, these currencies were called *proclamation money*.

People could also simply *barter* or trade goods back and forth. But someone who wanted to buy a bushel [5] of corn, for example, might not have anything the seller wanted in trade. To get around this problem, certain commodities [6] like tobacco were used as a kind of currency. Everyone would take tobacco in exchange for other goods, because it could be easily sold again. Barter made accounting difficult, though. To manage a plantation or business, people needed to keep track of their sales, purchases, and debts.

To make accounting possible, proclamation money also set a value on "rated commodities" that were commonly used as currency. These official prices meant that exchanges conducted in tobacco could be accounted in pounds, shillings, and pence. Turning commodities into "proclamation money" also enabled cash-poor colonists to pay their taxes in goods they had available to them.

Borrowing and lending

The colonies had no banks. Like a money shortage, this may be hard to imagine today, but there were no formal financial institutions anywhere in the American colonies! Without banks, there were no savings accounts, mortgage loans, credit cards, or any of the other means we now have of borrowing and lending money.

But of course people frequently needed to borrow money -- especially in a society as cash-poor as the American colonies. To meet that need, informal systems of credit developed.

If a poor or middling [7] farmer needed, say, a bushel of corn or a barrel of flour, he could borrow it directly from a wealthier neighbor. He might (as you could today) borrow a small quantity of something without keeping track of the debt, but if he needed enough corn to feed his livestock through the rest of the winter or cloth for a new coat -- let alone enough money to buy a new piece of land -- his lender would want to keep track of what he owed him. As with proclamation money, the value of the debt was noted in pounds, shillings, and pence.

Wealthy planters, too, bought goods on credit, especially luxury goods shipped from England. Because of England's mercantilist policies, American colonists were not allowed to manufacture and sell fancy finished goods -- fine clothing and linens, glassware, or china, for example -- and wealthier Americans also wanted goods like wine that had to be imported in any case. British merchants were happy to sell goods to reliable colonists in anticipation of next year's tobacco crop, just as credit card companies today will lend people money to buy things they want. As with today's credit cards, colonial planters couldn't really afford a lot of the things they bought, and wound up in debt to the merchants who handled their trade.

Webs of influence

The chronic money shortage and the desire for luxury goods thus meant that colonists both rich and poor were bound up in webs of debt. Poorer colonists borrowed from wealthier colonists; the wealthy borrowed from British merchants and from one another.

As a result, wealthy planters who had cash could accumulate a great deal of power and influence by lending money -- or threatening not to. Unlike today's banks, wealthy planters could discriminate any way they pleased, and they could use a debt as leverage over someone. All of this business might be conducted very politely, but even so, someone who lent his friends and neighbors money could easily call in favors -- for example, when he stood for election as a judge or representative in a legislature. There were no secret ballots in the 1700s -- voting was conducted by voice -- and everyone knew who his supporters were. At the same time, someone holding public office could easily borrow money from his constituents [8] when he needed it. Today, we'd call this corruption and bribery, but in the 1700s it was perfectly common to use public office for personal gain, and vice-versa.

If someone died without paying his debts, his goods would be listed in a probate inventory, valued in pounds, and, if necessary, sold at public auction to pay his creditors. This happened before his family could inherit his property, and the process of sorting out who owed whom money could be lengthy and complicated. The written record of a debt might be only a note on a piece of paper, and debts were often disputed. Often, lawsuits resulted over debts. Even then, visitors from England noted how inclined Americans were to sue one another!

Not all of this behavior can be traced to mercantilism and the money shortage, but in the absence of established financial institutions and sufficient cash to conduct a growing economy, political power in the colonies came to be made up of these complex, personal networks based in part on borrowing and lending money.

Money by today's standards

It's fairly easy to compare prices from the last fifty years or so because we have detailed economic data and because the nature of the U.S. economy hasn't changed drastically in that period. We have information about inflation rates -- the change in time of the value of money. A newspaper could report (for example) that gasoline in 1981 cost $2.80 in "today's dollars," and we would have a means of comparing gas prices today with what people paid a quarter-century ago.

Economic History Services [9] offers online calculators that let you compare the value of money in different times and places -- and show you just how complicated and possibly inaccurate such calculations are.

The value of money can be measured in a variety of ways, though -- as a percentage of the gross domestic product (the total value of goods and services produced in an economy), by how much of a fixed bundle of consumer goods it could buy, or by how it relates to wages for unskilled labor. Suppose your grandfather tells you that he used to pay only a nickel for a Coke, and you want to tell him what that nickel is worth in "today's dollars." Depending on how you calculate it, that nickel might be worth anywhere from thirty cents to two dollars!

It would be nice if we had a simple exchange rate to compare colonial pounds, shillings, and pence with today's dollars and cents. But we don't. Economists and economic historians have tried to make these kinds of calculations, but they disagree -- often wildly.

Prices and goods available varied widely from colony to colony, and the relative prices of goods were very different from what they are today. For example, because of England's economic policies, all but the coarsest cloth -- what could be made at home -- had to be imported from England. As a result, bedsheets were very expensive, and if you examine colonial probate inventories, you'll find that relatively few people could afford them. Land, by comparison, was cheap -- more people could more easily afford land than they can today. It was also cheaper to build a house than it is today, since someone could simply cut down trees on his property or on unclaimed land, fashion lumber from them, and build a crude cabin with the help of a few neighbors.

The best way to evaluate what various goods were worth in "today's money" is to examine probate inventories and bills of sale and use your own judgment. Compare the listed values of household goods, tools, enslaved people, and land; look at what everyone owned as opposed to what very few people owned. For example, in Valentine Bird's probate inventory [10] from 1680, we can see that "fine Holland sheets" were worth 50 shillings (£2:10:00) a pair -- a pair being the top and bottom sheet; pillowcases were extra. A bed stead, meanwhile -- the frame of the bed itself -- cost only 8 shillings (£0:08:00)! Wood could be cut and and made into a bed in North Carolina, but fine sheets had to be imported at great expense -- more than six times the cost of a bed.

Using that kind of information, you can try to determine what was a necessity and what was a luxury, what the *relative* values of various goods might have been, and how people's standard of living compared to ours today. It's not as simple as a set of numbers or a calculator, but this method gives a far more complex and accurate picture of life in the eighteenth century.

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Spanish dollars were silver coins sometimes called "pieces of eight" because they were worth eight reales (royals). Lacking the smaller coins, Americans often cut the coins into eight smaller pieces or "bits." emish dollars remained legal tender in the United States until 1857, but Americans often referred to a quarter as "two bits" well into the twentieth century, and the New York Stock Exchange counted stock values in eighths of a dollar until the 1990s. That's also where the cheers come from -- "Two bits, four bits, six bits, a dollar, All for [school] stand up and holler!"

[27]

Compare Valentine Bird's bedroom suite with what you could buy from, say, Pottery Barn. This "farmhouse canopy bed" may be much like Bird's bed, and costs $1500. The fanciest set of sheets for it, though, costs less than $200 -- and that includes pillowcases!

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