

Quiz B: RI.8.1

Read the passage. Then answer the questions.

“Currency in the United States of America”

- 1 Today, the dollar bill is one of the most familiar and popular forms of currency in the world. Its complex designs, presidential portraiture, and, above all, its distinctive green ink have become a part of our national identity. However, back in the Revolutionary era, you would have a hard time convincing anyone to accept one of today’s dollars as money! The bills we use today, and the financial system built around them, are the result of years of changes. It begins more than three centuries ago, when we were British subjects and just about anyone could print “money.”
- 2 The Massachusetts Bay Colony printed some of the first paper bills to pay for military expeditions in 1690. Soldiers were given notes, which were essentially “IOUs” that could be redeemed for coins later. The idea caught on with other American colonies. Unfortunately, these notes were easy to forge. For example, in 1690, Massachusetts had not authorized the creation of a 20-shilling note, so some clever counterfeiters decided they would make it themselves by simply changing the amount on the original note. Imagine if it were that easy to turn a \$1 bill into a \$100 bill today!
- 3 However, paper bills of credit were essential to colonial trade. The American colonies did not have the large stores of gold and silver that Europe did, and coins were hard to come by. Merchants who traded with colonists often complained the notes weren’t worth their value. Fights among the colonies and with Britain over monetary policy led to a British ban on the printing of all currency in the colonies in 1764, called the Currency Act. Only British currency was legal. Colonists struggled horribly under this ban, and it was one of the many British regulations that led to the Revolutionary War.
- 4 In 1775, the Continental Congress started issuing paper currency to pay for the American Revolution. These new bills were called “continental currency.” Problematically, the continental currency was backed by future tax revenues from the colonies once they gained independence, rather than bonds or gold. Also, these notes were still easy to forge. After the war, many soldiers who were paid in continentals found themselves stuck with money nobody wanted to accept as payment. This problem was so common that it gave rise to the popular phrase “not worth a continental.”
- 5 As the country grew, so did the scale of its banking problems. The young nation was still in debt from the Revolutionary War, and trade and currency were difficult to regulate. Alexander Hamilton and Thomas Jefferson began to battle over whether or not the creation of a central bank, which could help stabilize the economy, was unconstitutional. In fact, this argument was one of the key factors in the creation of America’s first political parties! Hamilton prevailed, and Congress chartered the first Bank of the United States to serve as the official agent of the U.S. Treasury in 1791.

