

## The Currency Act

Around the same time Parliament passed the American Duties Act, Parliament also addressed concerns of the moneyed classes of England's wealthy merchant houses as it related to American fiscal policy. Specifically, the issue of fiat currency not backed by specie. To finance the war, many colonies resorted to issuing paper money that could be used as legal tender for all transactions, including payment of taxes and the retirement of debt. Virginia specifically established an exchange rate of £125 of Virginian notes to be worth £100 sterling notes.

At this official exchange, Virginia would be able to finance the war and, eventually, through collecting these paper notes through taxation, remove them from circulation after the war's end. Of course, as England expended vast sums of money in the colonies, the going rate actually increased to as high as £160 for the Virginian pounds. When financial panic hit London, concerns arose that colonists may try to retire their debts not using sterling notes, or even the Virginian notes at the current going rate, but instead using the official exchange rate to essentially retire their debt at a favorable exchange.

Parliament, acting upon these concerns, passed the Currency Act of 1764 which not only prohibited the usage of this paper currency for the payment of public, but also private debts. Suddenly, colonists who had exchanged sterling notes for Virginian notes and relied upon the colony backing their usage for paying debts and taxes faced the possibility that their going rate for these notes would depreciate markedly.

Parliament passed the bill without much thought of how it would be interpreted in the colonies, which understandably looked unfavorably at its passage. The ease of passage, another indication that Parliament did not represent colonial interests. Parliament for its part, gave no consideration to alternatives that might have successfully addressed the concerns of the great merchant houses.

Although a minor point of contention to the upcoming Stamp Acts, it served as another example of the growing split between the colonies and the mother country, and how each party misunderstood the intentions of the other.