

Money and the Constitution

Jesús Fernández-Villaverde¹

September 14, 2023

¹University of Pennsylvania

CONSTITUTIONAL MONEY

*A Review of the
Supreme Court's
Monetary
Decisions*



Richard H. Timberlake

CAMBRIDGE

BeardBooks

A
LEGAL
HISTORY
of
MONEY

*in the United States,
1774-1970*

JAMES WILLARD HURST

WASHINGTON

An introduction

Article. I., Section. 8.

The Congress shall have Power ...

To coin Money, regulate the Value thereof, and of foreign Coin, ...;

To provide for the Punishment of counterfeiting the Securities and current Coin of the United States;

Article. I., Section. 10.

No State shall ... coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts;

The Constitutional Convention

- Issues related with money (spice money, banknotes, etc.) were contentious issues between the colonies and Britain in the decades before the Revolution.
- Later on, the suspicion of paper money will be behind much of the opposition to the First and the Second Bank of the United States.
- Nathaniel Gorham (1738-1796; member of the Committee of Detail): no explicit authorization for paper money in the Constitution, but not prohibition either.

20

FEDERAL

RESERVE

NOTE

20

ID 228

60 B

D4



THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE

Anne Escobedo Cabral

Treasurer of the United States.

C3



JACKSON

THE UNITED STATES OF AMERICA

C159

TWENTY USA TWENTY USA TWENTY

ID 228

60 B



Henry M. Paulson Jr.
Secretary of the Treasury.

20

SERIES 2006

20

TWENTY DOLLARS



Coinage Act of 1792

- The Coinage Act approved by the U.S. Congress on April 2, 1792.
- Six measures:
 1. It creates the U.S. dollar as the standard unit of money: equal to the value of one Spanish milled dollar (416 grains or 26.96 g. of standard silver; in Spanish: Real de a ocho o Peso).
 2. It sets the relative price of gold to silver at 15:1 (bimetallism).
 3. It imposes a decimal system.
 4. It determines the denomination structure, from eagles (\$10) to half cents.
 5. It makes the U.S. dollar legal tender.
 6. It establishes the United States Mint. First director: David Rittenhouse (1732-1796; as in "Rittenhouse Square").
- System unchanged until Coinage Act of 1834, which raised the silver-to-gold weight ratio to 16:1.



UNITED STATES
N. 07072 Fifty-five Dollars.



THE Bearer is entitled to receive FIFTY-FIVE Spanish MILLED DOLLARS, or an equal Sum in Gold or Silver, according to a Resolution of CONGRESS of the 14th January, 1779.

55 Dollars.

Jas. Dundas Jr. Recd

DEPARTMENT OF THE TREASURY
UNITED STATES

Paper money

The greenback controversy

- The Legal Tender Act of 1861.
- Legal Tender Cases of 1871: *Knox v. Lee* and *Parker v. Davis*.
- Overrule *Hepburn v. Griswold* (1869).
- The Greenback Party between 1874 and 1889. Peter Cooper (1791-1883; of “Cooper Union”).
- *Veazie Bank v. Fenno*.
- *Know v. Lee* and *Parker v. Davis*.



