STATE OF NEW JERSEY
DEPARTMENT OF STATE

NEW JERSEY STATE ARCHIVES

## NEW JERSEY STATE ARCHIVES COLLECTION GUIDE

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### Institutional History

The history of New Jersey's county loan offices is, in large part, the history of the paper-money question in eighteenth-century America. While the surviving mortgage books and ledgers of the loan offices are used today primarily to research early land holdings, these records also document an important aspect of the colonial and Revolutionary War-era economy.

**Early (Tax-Backed) Paper Money** - In the early days of the colony, coinage (or *specie*) was very scarce. Taxes were typically paid in wheat or other produce. By 1704, due to the shortage of silver and gold, various foreign currencies were in circulation with exchange values higher in the colonies than in England. That year, Queen Anne proclaimed that foreign coins should not be valued over one third their exchange rate in England. Such currency (or *proclamation money*), nevertheless, continued to be overvalued in the colonies because of the shortage of other circulating media. In 1709, a British expedition against Canada required the colonies to contribute quotas of men and money. With the New Jersey treasury bare, the assembly chose to issue £3,000 in paper money (or *bills of credit*) to be retired through collection of taxes within two years. A second expedition two years later led to the issue of an additional £5,000. During the years ensuing, retirement of the bills through collection of taxes fell into arrears and the legislature then postponed the retirement of £2,000 in outstanding expired bills. The value of the bills during this time fell to an exchange rate of £165 New Jersey pounds to £100 pounds sterling.

The devaluation of this early tax-backed paper money led to the proposal by William Pinhorne, in 1716, that New Jersey issue paper money backed by property mortgages. Private land banks had been tried in the colonies in the late 1600s, and public land banks had been established more recently in South Carolina (1712), Massachusetts (1714) and Rhode Island (1715). Pinhorne proposed that no interest be charged; instead, the mortgagors would pay back one twentieth of the loan amount each year for a period of twenty years. The government could place the principal collected into a fund for investment. The proposal was dismissed at that time—possibly due to distrust of Pinhorne, who had served in the unpopular Governor Cornbury's council. Instead, the following year, the assembly chose to act on a proposal by Representative Jeremiah Basse to again issue bills of credit—this time totalling £400. The issue devalued New Jersey money even more, bringing the exchange rate to £178 per £100 sterling. During the next few years, the government made an effort to retire the colony's paper money, with Governor Hunter (by advice of the British Board of Trade) also rejecting a proposal for another issue of bills.

The eventual scarcity of specie again led to economic difficulties for the less wealthy. As evidence of this, the colony's 1722 revenue act permitted the payment of taxes in wheat at a price below the market rate. When the New Jersey Assembly met in October 1723, not surprisingly, petitions were presented from the colony's citizens expressing the need for paper money. New Hampshire had legislated a public land bank in 1717, as did Pennsylvania in March 1723. New York had also put into circulation a batch of bills of credit. After several weeks of deliberation, on 30 November 1723, the legislature finally passed New Jersey's first loan-office act.

**The 1724-36 Loan** - The loan-office act of 1723 called for the printing of £40,000 of paper money in denominations ranging from one shilling to three pounds (making it widely available for small and ordinary purchases). The bills were to bear the date 25 March 1724. Loan offices were to be set up in each county and allotted a quota of the bills based on the county's population. Loan office commissioners, appointed for each county in the law, were authorized to issue the paper money through twelve-year mortgages on unencumbered land of value at least double the principal of the loan. Loans were to be made for no less than £12-6 and no more than £100. The annual interest rate was five percent—considerably lower than the private interest rate set by the legislature in 1719 at a maximum of eight percent. The borrower was required to pay back one twelfth of the principal plus interest each year, with the first payment due 25 March 1725. If a mortgagor failed to make a payment on time, it would be considered a judgment against him. If payment was not made within a thirty-day grace period following, the commissioners were empowered to foreclose. The commissioners were also given the responsibility of cancelling and burning the returned bills each year in the presence of the justices and freeholders of their county.

The loan-office system established in 1723 seems to have been generally popular—the middle class was better able to secure mortgages and enjoy the use of paper money while, at the same time, the public debt was paid off and the interest on the loan helped to defray the costs of government. The wealthy also benefitted, many taking out loan-office mortgages themselves. Furthermore, as a result of the increased revenues of the government, the legislature voted themselves duplicate pay and generous bonuses. Governor Burnet was given a £1,000 gift, for incidentals, plus additional regular salary appropriations. These benefits, however, were short-term. Inflation (i.e., devaluation of the bills) was on its way, though at a rate lower than in many other colonies; and it was not felt fully for several years because New Jersey's money, which was accepted in both Pennsylvania and New York, had a higher value than the bills of either neighboring colony.

Following a flood of counterfeits in 1727, the legislature called in the outstanding loan-office notes and issued new ones. By the following year, however, paper money was again growing scarce and the colony's treasuries were low. It became difficult to collect taxes and, by 1730, the government had unpaid salary warrants from as far back as 1726. As a result, the commissions of the loan-office officials were reduced. Bills were introduced in the assembly to relieve insolvent debtors and to lower the maximum legal interest rate. The solution to the colony's economic problems appeared to the legislature to be the introduction of more paper money by means of another loan-office act.

**The 1733-49 Loan** - The second loan-office act, calling for £20,000 in bills of credit, was passed by the legislature on 8 July 1730. The system it provided for differed from the 1723 system only in that the loans were to run for sixteen years instead of twelve, and that principal paid back during the first eight years could be borrowed again. The king's approval of this law was required, however, and it was not given until 1732. As a result, the loans were not made until the spring of 1733. Meanwhile, the colony's economy had grown worse. Only £10,000 of the original £40,000 in loan-office bills were left in circulation. Legislation was once again introduced to lower the maximum legal interest rate and to relieve imprisoned debtors. A petition from Monmouth County requested that the paper money of New York and Pennsylvania be accepted as legal tender in New Jersey. The legislature's solution, ultimately, was to draft another loan-office act.

**The 1737-53 Loan** - The third loan-office act, passed 16 August 1733, called for an issue of £40,000. The system prescribed largely resembled that of the second loan-office act except that the commissioners were to be elected, not appointed (there having been complaints about the management of the loan offices). Because of the inflationary tendencies of paper money, however, the measure was strongly opposed by Councilor Lewis Morris (later governor), who protested to the British Board of Trade. Despite this, the king's approval was eventually given to the legislation. Sixteen-year loans were issued beginning 25 March 1737. Although the issue of loan-office money resulted in a reduced value of New Jersey bills in New York, the colony did see a boom in land speculation. And eventually, New Jersey's money again became valued higher than that of its neighbors.

**The Paper-Money Debate, 1740-53** - In 1740, the British House of Commons, responding to merchant complaints about depreciated colonial currency, passed a series of resolutions directing all governors to veto paper-money acts unless they carried a suspending clause requiring royal approval. At the same time, Lewis Morris, whose views against paper money were already well known, became governor of the province. During the next few years a struggle ensued between the governor and the assembly. In 1742, the legislature passed a £40,000 loan-office bill with a suspending clause, with a second measure offering a £500 payment to Governor Morris. The governor refused to sign it and dissolved the assembly. In the next two years, the assembly refused to pass revenue acts (which included the governor's salary) until a loan-office bill was signed. Such bills, however, were rejected by the council—a more conservative body appointed by the governor. Following several years of deadlock, in 1746, Governor Morris tried to negotiate with the assembly. He agreed to sign their loan-office bill, which had been approved by the council, if they would grant him his customary salary. They offered him half then and half when the bill was confirmed in England, fearing that the governor would recommend the law's disallowance by the king. Governor Morris maintained his position, however, and prorogued the assembly. Two weeks later, Morris died, still owed his last two years of salary.

Jonathan Belcher, formerly governor of Massachusetts, was appointed to the New Jersey vacancy shortly after Morris's death. After being dismissed for his opposition to the Massachusetts land bank, he did not want to make the same mistake in New Jersey. He asked for permission from the Board of Trade to sign a new loan-office act as soon as it was presented. Robert Hunter Morris, son of the late governor, chief justice of the province, and subsequently governor of Pennsylvania, wrote the agent of the eastern proprietors in London urging him to oppose such permission. Governor Belcher was told by the Board of Trade, however, that if the suspending clause was attached, the act would be considered on its own merits. The assembly's loan-office bill called for £40,000; it also included a £500 gift to the governor. The act was sent to England with Governor Belcher's recommendations for confirmation.

In 1749, Governor Belcher's loan-office act was disallowed by the king. The same year, the second loan-office issue expired. Two years later, Parliament passed the Currency Act of 1751, forbidding the establishment of land banks and the issuance of legal-tender bills of credit in New England. The British dislike of paper money in the colonies appeared to be stronger than ever.

**1753-1774 Period** - With the expiration of the third loan-office issue in 1753, the New Jersey Assembly presented a petition to the king asking for approval of a loan-office act to issue £60,000 (despite the Currency Act of 1751). Before it could be learned whether the British would approve the measure, however, the French and Indian War began. While the assembly saw the English need for troops as a means of leverage for an issue of paper money, the king's conditions for approval ultimately amounted to a veto. During the next few years the assembly attempted, unsuccessfully, to withhold appropriations for colonial defence in order to force royal authorities to approve a series of loan-office bills. In 1757, New Jersey was the only colony not to vote its quota for support of the war effort.

After the fall of Fort William Henry in the summer of 1757, the assembly feared that the French invasion might reach as far as New Jersey. With an £89,000 paper-money petition not approved by the king, the assembly resolved to issue £30,000 in bills of credit to support the war, to be retired by taxes. Another issue of £50,000 in bills was voted in March 1758. In both cases, the assembly disobeyed a 1754 royal instruction by postponing retirement of the bills beyond five years. The £89,000 paper-money proposal was eventually disallowed.

More funds were needed every year to support the troops. During the war years, New Jersey ultimately issued a total of £347,500 in paper money, of which at least £275,000 was still outstanding in 1764. That year, Parliament passed another Currency Act which prohibited any colonial assembly from issuing legal-tender bills of credit or extending the maturity of any bills already issued. New Jersey, however, already had the largest public debt of any of the North American colonies.

The depression that followed the French and Indian War (with taxation to reduce the public debt), along with the Stamp Act of 1765, resulted in petitions to the assembly again complaining of the shortage of money. In April 1768, the assembly passed another loan-office act. Governor William Franklin refused to sign it, however, because it made the notes legal tender and carried no suspending clause. Franklin did, nevertheless, pass the act on to the British Secretary of State. Word came back in 1769 that the bill had been disallowed by the king. However, encouragement was given for the assembly to pass another bill for issuing £100,000 in bills that would not be legal tender. A new loan-office act was introduced that made bills legal tender only for payment of debts due to the loan offices. Word arrived in 1770 that the king's Privy Council had disallowed the bill on the grounds that the notes were made legal tender at the colonial treasury. The New Jersey Assembly was outraged, especially considering that other colonies—including Pennsylvania, New York and Maryland—had been allowed to issue paper money which was legal tender at the issuing office. The result was that the New Jersey Assembly adopted New York's earlier tactic to vote no additional support for the king's troops.

**The 1776-96 Loan** - During the next few years, complaints of scarcity of money were frequently heard through petitions to the legislature requesting a loan-office act. When Parliament amended the Currency Act of 1764 to allow bills of credit that were legal tender at the treasury but not for private payments, Governor Franklin recommended in March 1774 that the assembly do as Pennsylvania had recently done—say nothing about legal tender and simply assume that the bills would be accepted at the loan offices. The assembly reluctantly took his advice and, on March 11th, passed a new loan-office bill issuing £100,000. The act, however, was required to include a suspending clause, and royal approbation was not granted by the king until February 1775. Word of this did not reach the New Jersey Assembly until May, when it was too late to establish the loan offices that year (the act stipulating that the loan-office commissioners were to collect payments on the 25th of March). As a result, the mortgages were not issued in the respective county loan offices until 25 March 1776.

The 1774 legislation, which remained in effect following independence in 1776, allowed for twenty-year loans between £15 and £100 at an interest rate of five percent per annum. Collateral in the form of land or tenements had to be valued at least twice the principal; houses had to be valued at least three times the principal. Only interest was required to be paid during the first ten years. From the eleventh through the twentieth year, one tenth of the principal had to be paid in addition to interest. The interest collected was to be applied to supporting the government or to any other public use subsequently directed. In June 1781, the loan-office act was amended to allow the courts of quarter sessions in the respective counties to appoint just one loan-office commissioner for each county.

**The 1786-98 Loan** - The close of the Revolutionary War brought about a renewed demand for paper money. In 1784, with the retirement of continental bills, only two dollars per capita remained in circulation in the form of state bills of credit and revenue money. Wartime spending had also resulted in the accumulation of a large state debt which could not practicably be paid off without the issuance of more paper money. The popular answer, again, was to issue currency on loan. In the summer and fall of 1784, petitions were presented to the legislature from half of the counties asking for a loan-office bill. In October 1785, there was sufficient support for the measure in the assembly to appoint a committee to draft legislation. The resulting bill, however, was returned to committee until the following sitting by Abraham Clark, leader of the paper-money advocates. The delay tactic may have been used to build up popular support for the bill in order to influence the council, a majority of whose members were opposed to the plan.

During the next few months, a heated debate occurred in the press and between the state's leading politicians. On the anti-paper-money side were Governor William Livingston and future governor, William Paterson. When the legislature gathered in February 1786, they received an unprecedented number of petitions from their constituents for and against the issue of paper money. With a total of at least 140 petitions, the popular votes were tallied by the council. Nearly half of signatures collected were for a loan-office issue of legal-tender bills. Only twenty-nine percent were opposed to an issue of paper money of any kind. The legislature's mandate was clear. However, after the bill passed the assembly it was defeated in council eight-to-five. The assembly quickly repassed the bill, which was then defeated seven-to-six in council. The legislature then adjourned. In May, the bill was again passed by the assembly and this time passed the council seven-to-six. New Jersey's last loan-office act became law on 26 May 1786.

The law itself was patterned very closely after the colonial versions. The loan issue totalled £100,000, with individual loans not to exceed £100. Security was to be at least double the value of the loan principal if land, or at least four times the principal if houses or town lots. The term of the loan would be twelve years, with the mortgagors not required to pay back principal for the first seven. The loan offices were opened in December 1786 and the bills were put into circulation. Unfortunately, the merchants of Philadelphia and New York refused to accept payment in the new currency, preferring bank notes issued by their own recently created commercial banks. New Jersey's currency then depreciated rapidly in value, ceasing to circulate after 1789 (though it continued to be used for payment of taxes).

With the adoption of the federal constitution, which prohibited the issuing of money by states, the loan-office system came to an end. For three quarters of a century, however, it was a primary means of putting paper money into circulation. From 1723 to 1786, a total of £300,000 in bills of credit was issued in this fashion by the New Jersey Legislature.

**Gloucester County Loan Office** - While the early mortgage books and ledgers of the Gloucester County Loan Office are not known to have survived, basic information about the activities of the county's commissioners can be found in the loan-office legislation and in the minutes of the Gloucester County Board of Chosen Freeholders. In 1723, the sum of £3,080 was allotted to Gloucester County. Samuel Coles, Esq., Thomas Spicer and Joseph Cooper Jr. were appointed by law as the county's commissioners. In April 1727, Coles resigned and was replaced by John Kay. In 1732, the second loan-office act reappointed the incumbent commissioners in all of the counties. Gloucester County's quota that year was £1,715.

A total of £3,430 was allotted to Gloucester County in 1735. Under the revised legislation, loan-office commissioners were to be elected by the justices and freeholders in each county (although this was not done until 1737, following the king's approbation). In Gloucester County, all three incumbents were elected: Spicer, Cooper, and Kay. In 1740, John Kaighn was chosen to replace Kay, then deceased. In 1749, Ebenezer Hopkins and Samuel Harrison Jr. were chosen to replace Cooper and Kaighn, then deceased. Samuel Harrison appears not to have been actively involved in the operations of the loan office, however, since only Ebenezer Hopkins and Thomas Spicer are named in the freeholders' minutes as commissioners for the remaining years of the 1737 loan.

Gloucester County was allotted the sum of £7,632 by the 1774 loan-office act. The following year, John Gill, Joseph Hugg and John Hinchman were elected the county's commissioners. On 25 March 1776, pursuant to the law, the commissioners opened the loan office at nine o'clock in the morning. They quickly adjourned to the house of William Hugg in Gloucester Town, however, "the weather being too Severe to sit in the Court House." There the commissioners took in applications for mortgages from 110 landowners amounting to £9,120. A number of the applications were rejected because of insufficient collateral or because the land offered was already entailed. Since the amount collectively applied for still surpassed the county's quota, and it was decided to allow mortgages at £90 per £100 applied for. A total of 102 mortgages were entered into.

In May 1777, John Gruffyth was appointed as commissioner to replace John Hinchman, who had "declined Transactting any part of the Business" according to the commissioners' minutes. In 1782, Joseph Hugg was appointed sole commissioner of the Gloucester County Loan Office as a result of the loan-office act amendment passed in June 1781. Four years later, the freeholders threatened to prosecute Hugg when he refused to settle his accounts. In 1796, Joseph Hugg died. His sons and executors, Joseph and George W. Hugg, were ultimately compelled to pay the state $874.61 (the equivalent of £327-19-7) in February 1800 to settle their father's loan-office account.

Gloucester County's quota for the 1786 loan was £7,953-6-8. Samuel Hugg and Joseph Champion were chosen commissioners. The loan office was opened at the house of William Hugg in Gloucester Town on 21 December 1786. Over 200 applications were received, collectively requesting more than twice the county's quota. As a result, the commissioners set the loan proportion at £50 per £100 applied for, assuming that some of the applicants would withdraw. A total of 185 mortgages were entered into, all dated 5 December 1786 (though the work of issuing the loans was not completed until the second week of January, 1787). For the next twelve years, the operations of the loan office appear to have proceeded with little controversy, with the two original commissioners making regular reports to the freeholders until the expiration of the loan issue in 1798.

The service of the Gloucester County commissioners can be summarized as follows:

| Commissioner | Years Served | Comments |
|---|---|---|
| Samuel Coles, Esq. | 1723-1727 | Resigned |
| Thomas Spicer | 1723-1753 | Active at the expiration of the 1737 loan |
| Joseph Cooper Jr. | 1723-1749 | Deceased |
| John Kay | 1727-1740 | Deceased |
| John Kaighn | 1740-1749 | Deceased |
| Ebenezer Hopkins | 1749-1753 | Active at the expiration of the 1737 loan |
| Samuel Harrison Jr. | 1749-1753? | Apparently inactive |
| John Gill | 1775-1782 | Superseded by Joseph Hugg as sole commissioner |
| Joseph Hugg | 1775-1796 | Made sole commissioner for the 1776 loan in 1782; died 1796 |
| John Hinchman | 1775-1777 | Resigned |
| John Gruffyth | 1777-1782 | Superseded by Joseph Hugg as sole commissioner |
| Samuel Hugg | 1786-1798 | Active at the expiration of the 1786 loan |
| Joseph Champion | 1786-1798 | Active at the expiration of the 1786 loan |

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**Content Note**

This series includes the three record books of the Gloucester County Loan Office known to have survived. The first volume is the 1776 mortgage register/minute book, which was transferred to the State Archives by the Gloucester County Historical Society in 1995. This volume is the loan-office commissioners' second copy, which was required to be kept according to the 1774 law. In addition to containing descriptions of the mortgaged lands, the volume also includes the original signatures of the mortgagors. The loan-office legislation directed the commissioners to remove the mortgagors' signatures and seals from the first copy after the mortgages were discharged; however, this was not required for the second copy.

The volume apparently was in the hands of Joseph Hugg, sole commissioner of the Gloucester County Loan Office, at his death in 1796, and was subsequently passed down in the Hugg family for several generations. It was donated to the Gloucester County Historical Society in 1994, and was, in turn, transferred to the State Archives to be united with the other surviving Gloucester County Loan Office records. Considering that the book was reused as a geometry/surveying workbook by Hugg family members, the mortgages it contains have survived surprisingly well.

The mortgages granted out of the 1776 loan were all dated the 25th of March that year, with the exception of five granted in 1777 (Nos. 103-107) and one granted in 1779 (No. 108). While the index and five of the mortgage pages were torn out (probably for scrap paper), the loan-office commissioner's minutes remain intact in the back of the volume (to 2 May 1786) and, along with the 1786 records, help to identify some of the missing 1776 mortgages.

The second and third volumes, relating to the 1786 loan, were transferred to the former Public Record Office by the Gloucester County Clerk in 1924. The 1786 mortgage register is also the commissioners' second copy, and therefore retains the original signatures of the mortgagors. All of the mortgages recorded in this volume are dated 5 December 1786, even though the loan-office commissioners did not meet until the 21st of December. The account ledger, which was required by law to be kept separately, includes a payment record for each mortgagor plus accounts of the commissioners with the state treasurer. The back of the ledger contains the minutes of the Gloucester County Loan

Office from 21 December 1786 to 10 January 1787.

Detailed abstracts of the mortgage information contained in these three volumes are provided following the **Contents** list below.

## Contents

| Vol. | Description |
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| 1. | 1776 Mortgage Register/Minute Book [minutes for 25 March 1776 to 2 May 1786 located at the back of the volume] |
| 2. | 1786 Mortgage Register |
| 3. | 1786 Ledger/Minute Book [includes accounts to 1799; minutes for 21 December 1786 to 10 January 1787 located at the back of the volume] |

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