**BA 476 Handout Class 3**

**The Colonial Period & Early American Manufacture**

**COLONIAL MERCHANTS**

The great businesspersons of the colonial era were the merchants. These merchants were highly influential in colonial life. In fact, they were the dominant figures in the economic, social, and political life of the cities and provinces north of Maryland.

Today, most merchants are specialized. They usually focus on selling at retail. In the colonial era, however, merchants had to assume many business roles, and they continually shifted from one business to another, dropping unprofitable activities and taking up other work.

Merchants had to be flexible, considering the kind of economy in which they operated--an economy without a good currency or banking system and in situations where customers sometimes paid in goods not readily convertible into money.

Among merchants' various functions, perhaps the following were the most common:

First, retailing--and even more because merchants often were paid in goods that had to be sold if a profit were to be realized.

Many merchants also served as commission agents for other merchants. They bought and sold goods for others, performing these services on a commission basis.

Many merchants were moneylenders. They fulfilled a banking function. Such merchants often were called strongbox merchants. John Hancock was one of them.

Most of the big merchants also were ship owners. Usually a number of merchants banded together to buy a ship and/or a cargo. Even tiny ships might have many owners to spread the risk.

Many merchants also were insurers especially in as far as ships and their cargoes were concerned.

Further, many merchants were engaged in manufacturing of one kind or another. They might operate a mill, a forge, a distillery, or engage in the putting out system of manufacturing, turning over, say, raw materials for shoes to artisans. After the shoes were made, the merchants collected them for sale at retail, wholesale, or shipment to other places.

Toward the end of the 18th century, many merchants also began to invest heavily in land. Land purchases became an important part of their economic activity. Why did the merchants invest in land? Partly to make money through speculation. Americans always have looked to land to rise in value, and over the long run it always has. Speculation in land thus has been in the American tradition since the 17th century.

Land ownership, as indicated earlier, also paved the way to social distinction in the colonies. A high social value was placed on landholdings. This value was part of the English heritage.

Land also was prized because it could be transferred to heirs more easily than a business. It was a tangible asset, as opposed to the goodwill that often was the foundation stone of a merchant's business. A merchant could not hand down the good faith asset of his business, but he could leave land to his heirs. This consideration was especially important in an age of proprietorships and partnerships, because a business could actually die overnight with the death of the founder or guiding spirit of the enterprise.

Flourishing businesses literally did die with the death of their owners. In many other instances, a business would stagger along for a few years after the owner's death, and then fold.

The Great Colonial Merchants had influence out of proportion to their numbers. There were only 200 to 300 of them, most of them located in Boston, Newport, New York, Philadelphia, Baltimore, and Charleston. History books often refer to these men as sedentary or settled merchants. They were the predecessors of the big businesspersons of a later period.

Most of these men had in common what might be called a trading temperament--plenty of courage and a willingness to take long risks. Thomas Hancock, the wealthy uncle of John Hancock, offers a good example of what is meant by a trading temperament.

During King George's War, 1744-1748, which poised the English against the French and Spaniards, only two of Hancock's ships managed to sail past the French and Spanish fleets in six months' time. By the end of 1745, Hancock desperately needed goods from England, and he wrote his agent to ship them at any cost in or out of a convoy.

Hancock informed his agent that if no ships were sailing, the agent should buy a special ship for Hancock's goods, operate her with sturdy New Englanders and set sail. Hancock further directed that, if the first ship were lost, another should be outfitted and be put to sea.

"Better for me," he wrote "to sink the cost of the vessel than not have my goods. If a load of coal or salt comes early I shall clear [the cost of] the ship."

In response to these orders, Hancock's goods were sent, and arrived safely at their destination, Mr. Hancock profiting handsomely.

Many merchants also made it their business to have connections with the "right people" in England. Furthermore, they usually had a good deal of influence with the appointed English functionaries in the colonies and a major voice in colonial councils.

Merchants were not above greasing the palms of politicians if necessary. Then as today, they would try to pull every string they could to obtain what they wanted. If all else failed, they would feed outstretched hands. The term "greasing the palm" dates to such instances in colonial days.

Some of the great colonial merchants became wealthy, and owed much of their success to the fact that they marked up their goods 100 to 200 percent. Insurance rates generally ran between 11 and 23 percent. Rates had to be high because shipping was a risky business.

The papers of early American businesspersons reveal that certain characteristics emerge as to the operations of colonial merchants.

Bookkeeping in colonial firms, for example, was not much different than it had been at the time of the Renaissance. If no divisions had to be made between partners, no balances were struck, and, of course, no income taxes forced calculations of profit and loss.

Daily transactions were entered in a journal, often in different types of money with household and office expense mixed together. In transferring accounts to a ledger, only the largest and most meticulous merchants used a double entry system.

The direct administration of far-flung operations was kept to a minimum. Management hierarchies and central office staffs were almost nonexistent. Joseph Peabody, of Boston, for example, in the 1790s owned 83 ships and employed 7,000 seamen, making him one of the biggest employers of his age. Yet he operated with a tiny office staff.

Much of business was done through the agency system. Agents bought and sold goods, accepted bills, maintained open book accounts, collected debts, hired ships, lent money, and approached governments for business.

Merchants had to be ready, of course, to act in reciprocal fashion for their agents. On both sides of the bargain, agents were given and used wide discretion in handling business matters.

Virtually none of the merchants of the colonial era maintained their own employees or offices abroad. There was not enough business in any one port to justify them.

Few merchants attempted to foresee new market opportunities for a period longer than a couple of years did. However, to be successful, they did have to be adept at forecasting markets a year or two in advance.

One of the most successful of the colonial merchants was Thomas Hancock, of Boston. When Hancock died in 1764, he left an estate valued at 100,000 pounds, the bulk of which went to his nephew, John, who, unhappily, was not the businessperson that his uncle had been. The House of Hancock took Thomas Hancock 40 years to put together. In the following five years, John brought it to a standstill. In five more years, the House of Hancock crumbled away.

However, the fault was not entirely John's. The pre-Revolutionary War period and wartime itself were not the most prosperous times for trading. Moreover, John devoted much of himself to politics during these years. However, even making these allowances, John was by far a lesser businessperson than his Uncle Thomas was.

At the time of his death, John's estate was valued at less than 40,000 pounds. Even ignoring the question of monetary depreciation, he had dissipated much of his uncle's fortune--even dipped into capital, always a prime sin in Boston.

Thomas Hancock may have been the wealthiest man in the colonies. George Washington also may have been, although most of Washington's wealth was tied up in land. At any rate, Washington is believed to be the wealthiest of all of the presidents in terms of what money would buy at a given time.

Most colonial wealth was found in the larger port cities. In 1776, when Boston had only 17,000 people, it was estimated that 30 merchants in that city were worth between 10,000 and 20,000 pounds. Philadelphia also had a number of rich families, practically all of them thrifty Quakers. In time, many of the aristocratic merchant families became interrelated, forming a maritime gentry; an inner circle of privilege.

Colonial merchants revealed much of themselves in long, informal, business letters commenting on every aspect of their personal and business lives. In turn, they were hungry for news from those with whom they corresponded, and they received it. Merchants' letters reveal their fears, greed, frustrations, joys, anger, and so on. From them we learn that their emotions are similar to those we have today.

Colonial-style business operations were brought to an end by technology and settlement during the first half of the 19th century.

As volume increased, merchants could specialize advantageously in particular lines of commodities. Finance began to separate from trade as a business diversion. For-hire transportation did away with the need for the speculative trading voyage. Also, a new banking system encouraged a one-way trade for cash.

Thus colonial-style mercantile business, slowly dying during the first half of the 19th century, was dead and buried by 1850.

Perhaps we can draw a few additional conclusions regarding differences between colonial trade and business of later periods:

* First, communications were bad, a theme which needs no amplification, and the effects on business procedure were marked
* Second, the scale of operations was minute. The population was not large and the standard of living was low. Cheap goods were not yet pouring from factories, and so the flow of exchangeable wealth was a mere trickle.

From the standpoint of volume, American trade seems to have been nearer to the Middle Ages than their own times. There was no such thing as busy markets or hustling seaports, in the sense that we think of these terms. Business had a much more leisurely air then it does today.

* A third major influence in colonial trade was the lack of good currency. This deficiency hampered merchants at every turn and drove them to all sorts of odd exchange devices.

Fortunately, for the business community, improvements in currency matters would be forthcoming after independence. Problems would continue to exist, but at least they would not be the medieval-like problems that plagued colonial merchants.

**COLONIAL LABOR**

The labor supply was inadequate during the colonial period. In fact, the lack of adequate labor was one of the retarding factors in the colonial economy.

The scarcity of free time was caused by No. 1, the availability of free land; and No. 2, antagonism to industry on the part of some people.

Since there was no wage-earning class of consequence during colonial times, it follows that there were no trade unions. Since free labor was scare, it also follows that labor commanded relatively high wages – considerably higher than labor in England.

Colonial legislators, it may be noted, passed maximum wage laws, rather than minimum wage laws. However, maximum wage laws proved difficult to enforce in a labor-short economy. But here again we have another example of the lack of laissez-faire during colonial times.

Un-free labor – servants and slaves – was far more important than free labor during colonial times.

First, servants were of prime importance in the labor market, then slaves.

The need for labor was especially strong in the South. Tobacco planters, for example, could obtain as much land as they wanted, but what good was land if there was nobody to work it.

Planters obtained labor from England and Europe. There were Englishmen who wanted to come to the colonies to improve their circumstances. Also, petty criminals and political prisoners were available, and England was very glad to dump them there. In addition, there were merchants, ship owners, and captains who stood to make a profit by transporting people. In fact, some historians think that these intermediaries might have been the key people in labor transactions.

As indicated earlier, Europeans came to America under varied circumstances.

Many were indentured servants, some of whom volunteered for indentured servitude. They signed legal contracts which bound them to serve a master for a given period of time – usually for four years – in return for transportation to the colonies and the necessitates of life once there. When the period of service was over, the servant received so-called freedom dues – which could be money, but more likely consisted of land, tools, clothing – things that helped an ex-servant get started as an independent farmer or artisan.

Few planters went to England, so prospective servants usually were indentured to a ship captain or seaman, then sold to the highest bidders upon arrival on this side of the Atlantic. A bidder could sell an indentured servant’s contract to another person who in turn could sell it to someone else, much like a used car.

Some indentured servants had no choice about coming to the New World, including such people as criminals, paupers, and vagrants, and political prisoners. Britons frequently were sent to America by court sentence or royal order. About 40,000 people classified as criminals were shipped to America between 1717 and 1775, the majority of them to the south.

Many of these people were guilty of minor crimes, for which they were sentenced to seven years of hard labor in the colonies. However, some of the criminals were hardened characters including murderers, who had been given the death penalty in Britain. There hardened criminals were given 14-year sentences when sent to the colonies. Such criminals usually were provided free to those merchants willing to take them. In addition to latching on to prisoners, some British and American merchants kidnapped and shanghaied Britons and others and sold them to the colonies. It cost a merchant 4 to 10 pounds to get such a servant to America and to maintain him until he was sold. The selling price ranged from 6 to 30 pounds, so a healthy profit in human flesh was involved.

In the 18th century, another type of immigrant began appearing in America – the redemptioner.

Most of the redemptioners came from Continental Europe, especially the German States. Few redemptioners came from England, although a handful of Irish arrived with this status. A redemptioner was a prospective immigrant who had some money, but not enough, to get across the Atlantic. Short on cash, but long on desire for reaching America, the prospective immigrant would negotiate with a merchant to advance enough money for the Atlantic voyage. Upon arrival in America, the immigrant was given two weeks to come up with the amount due. The hope was that a relative would meet the boat and pay off the merchants, there being the feeling during the colonial era, as now, that Americas were prosperous. If the money wasn’t anted up, the immigrant was sold as a servant for the amount of the debt. Normally the term of service involved was shorter than that of an indentured servant.

In the 18th century, more redemptioners came to America than indentured servants. The trade in redemptioners was quite profitable, and merchants and shipping firms all over Europe hired “runners” or promotion men to persuade immigrants to head for the New World.

The upshot of this immigration was that during colonial times at least 60% of all the white people who came to these shores came as servants. Some estimates place the figure as high as 77%. Many laws were passed applying to these white servants – mainly laws to recapture and punish those who escaped from servitude plus laws to protect servants inasmuch as they were considered as people, rather than as property, as were slaves. Generally, however, most of these laws were not strictly enforced. Indentured servants’ numbers declined toward the end of the 17th century; and the number of redemptioners grew steadily smaller throughout the 18th century. By the time of the Revolution, white servitude of any kind had had all but disappeared inasmuch as the Revolutionary philosophy all but outlawed the control of white people by other people. However, local instances of indentured servitude existed into the 19th century – until the 1830s in Maryland and Pennsylvania.

In the South, unlike the North, white servitude was pretty much passé at the end of the 17th century, for the South was turning in a major way to slavery. Africans were first brought to Virginia in 1619. Actually, they were not slaves, but indentured servants. There was no legal recognition of slavery until the mid-17th century, and until this time Africans were considered to be indentured servants, not slaves. As late as 1690, in fact, there were only between 4,000 and 5,000 slaves in the American colonies.

By this time, however, planters were beginning to see certain advantages of slavery over indentured servitude. In the first place, it took time to acclimatize servants, and by the time they were acclimatized they were close to the end of their duty period. Slaves, on the other hand, had to serve their masters for a lifetime. Beyond this, slaves’ children were slaves so here was a potential source of supply for labor. Slaves, in addition, were easier to handle than servants. They ran away less often and were easier to apprehend if they did run away. Also, a slave, since considered property, not a person had no right to make a legal complaint. A servant had this right. Finally, there were no freedom dues for slaves as with indentured servants. In dollars and cents, a slave cost three times as much as an indentured servant, but the lifetime services of the slave gave slavery an economic advantage over indentured servitude.

Because of the advantages of slavery, a flourishing slave trade developed between Africa and the British colonies. A gruesome, but highly profitable business, the slave trade was one of the great trades of the 18th century, rivaling that of any commodity. Between 1680 and 1776, an estimated 2,133,000 Africans, including those who dies en route, were transported from Africa to various British colonies, including the West Indies. Normally, Africans destined for the American market were first offered for sale in the West Indies. Those who could not be sold in the West Indies were shipped to the mainland.

The conditions above the slave ships were horrendous. Decks often times were only three feet apart, and the Africans were crammed into this small space. Blueprints and sketches of some of the slavers have been found, and they show how the people were stacked almost like cordwood throughout the ship. There was scarcely a nook or cranny not occupied by a human body. The mortality rate aboard slavers was high. Sometimes, when disease struck, it was 100%. The mortality rate averaged between 8-10%.

As for slaves, by the time of the American Revolution, there were half-a-million in the colonies, about 75% of them in the South. The fact that there were more slaves in the South than in the North was more a matter of existing conditions than of conscience. The Puritans were not against slavery at the time they settled in New England. In fact, another group of Puritans settled off the coast of Nicaragua and formed a slave colony. Moreover, Rhode Island had a slave population, and there was no moral objection to it, and at the time of the Revolution New York had 20,000 slaves and Massachusetts 5,000.

In both North and South during the colonial era, slave codes and regulations were about the same. There were curfews, rules against intermarriage, and other restrictions. There was, however, during the colonial era more emancipation of slaves in the North than in the South. The South might have emancipated more slaves during the first half of the 19th century and beyond had it not been for the introduction of the cotton engine (gin), which permitted the large-scale growing of cotton. The cotton culture required huge gangs of slaves on the larger plantations.

In the colonial South, in addition to Black slaves, there also were a small number of Native American slaves. The Southerners usually considered it all right to put French-controlled Native Americans into slavery, but not British-controlled Native Americans. There were never more than 2,000 Native Americans enslaved at any one time, one reason being that their population was small.

**COLONIAL MONEY**

The colonies had to have a medium of exchange. One of the first forms of money in colonial times was wampum, an idea borrowed from the Indians. Wampum was polished shells, black and white. These shells circulated in New England for several decades after the founding of the colonies, and were legal tender for private debts in Massachusetts until 1661 and were used as money in New York as late as 1701. You can see wampum in a number of museums, but the finest collection is in the Peabody Museum at Harvard

After the use of wampum, the colonists turned to commodities, with the most used commodity in any colony serving as money. This commodity was tobacco in the upper South; in other colonies it was such items as rice, indigo, sugar, naval stores, whisky, hides, and cows. These items were called “country pay”, and of course were bartered. Commodities, however, had obvious defects as money. Often, the lowest quality commodities were used to pay a debt. In addition, commodities fluctuated widely in value, far more, for instance, than gold or silver. Furthermore, many commodities were difficult to transport or were subject to shrinkage, again, and deterioration. Commodity money obviously was not a solution to the colonies’ money problem and gradually it fell into disuse. By the end of the colonial period, commodities were acceptable as a medium of exchange only in frontier communities. Even on the frontier, only furs were exchanged with any regularity.

The solution to the money problem or at least a partial solution to it, turned out to be paper money. American colonial governments were among the first to experiment with paper money. The use of paper money is a fairly modern development. Colonists were accustomed to the use of paper money through the use of commercial paper instruments, promissory notes, bills of exchange, etc. The notes were used in trading; so, figured some colonists, why not make use of similar paper for currency. Paper money was first used in Massachusetts in 1690 to pay the expense of a military expedition to Canada. Thus, an emergency, a war, prompted its use. This act conditioned people to use paper money to meet war expenses. Almost inevitably paper money came to be used in peacetime.

During the colonial period nine of the colonies resorted to paper money. The use of such money worked well in certain provinces, particularly the middle colonies. There was very little depreciation on paper money in this area. But in several colonies, notably Massachusetts and Rhode Island, bills were over issued, and their value relative to specie depreciated. In both these colonies notes were issued, then withdrawn, and then reissued in headlong succession; and prices in consequence swung up and down. It’s not too much to say that in Massachusetts and Rhode Island – and in certain other colonies as well – the currency was in a near-constant state of chaos. In fact, some historians believe that of all the problems faced by colonial businessmen, the money problem was the most difficult.

Of the forms of paper money used by the colonists, there were three main types.

One type was the bill of credit. The word “bills” eventually came to be identified with the phrase “dollar bills.” Bills of credit were issued by individual colonies in anticipation of taxes, and they were supposed to be redeemed in specie at some date in the future. In the meantime, they were to be accepted for taxes by the issuing colony, and it was this redemption feature of the bills that helped them circulate freely as money. The trouble was, the bills of credit were over issued and not retired when they should have been. The redemption date was often pushed back further and further – and since faith was a factor with respect to the value of the bills, they tended to decline in value with over issuance and an extended redemption period. If the colonies had been conservative in their handling of the bills, there would have been no great problem. But some colonies were anything but conservative, and people consequently lost confidence in their note issues.

A second kind of paper in circulation involved loan bills – which also were issued by colonial governments, and were fairly common. A third type of paper currency involved land banknotes. They were issued by private organizations, and were less common than loan bills. Both loan bills and land bank notes were loaned to individuals upon the security of real estate or other property. Then borrowers could use these notes to meet their obligations. There was so much land around that notes against real estate could be issued almost indefinitely. Even so, loan bills and land bank notes, outside of New England, held up reasonably well. Pennsylvania, under Franklin’s influence, and New York were in good shape. The New England colonies were in the worst condition.

In Massachusetts, a land bank controversy almost tore apart that colony in 1741. The enemies of the Massachusetts Land Bank, mostly merchants, in 1741 persuaded Parliament to apply the South Sea Bubble Act of 1720 to the Massachusetts Land Bank. The Bubble Act had been passed to curb wildcat English speculation and frauds. The Act said that no one could set up a joint stock company of the land bank type without Parliamentary approval. But the Act of 1720 had specifically excluded the American colonies from its provisions. In 1741, the Act of 1720 was applied to the colonies. This was **ex post facto legislation** at its worst. The Massachusetts Land Bank was forced to liquidate. This angered many of its subscribers and virtually ruined many including the father of Samuel Adams. England certainly acted arbitrarily here, and stirred up more anger than it was worth to liquidate this bank which possibly could have succeeded as a private business venture. John Adams said that the closing of the Massachusetts Land Bank did more to start the Revolutionary War than even the Stamp Act. The people of Massachusetts long remembered this ex post facto legislation. Forty-five years later, when the Constitution was being drafted, the Massachusetts delegation insisted that it contained a clause against ex post facto laws. Such a clause was included, and because of it, laws have not been applied retroactively.

The colonies suffered a chronic coin shortage because coins tended to drain off to England during the course of trading, and England was reluctant to send them back. Many foreign coins were in circulation in the colonies, chief among them Spanish pieces of eight – so called because of the Roman Numeral VIII impressed on one side to indicate the value of eight reales. Spanish pieces of eight became known among English-speaking peoples as a “dollar” – and this is where we get the word “dollar”; although, if one wants to get technical, the term “dollar” is derived from the German word “thaler,” the name given to silver coins produced in Germany during the 16th, 17th, and 18th centuries. The Spanish dollar was worth eight reales. A reale, in turn, was often referred to as a “bit.” Thus two bits were worth one-fourth of a dollar; four bits half a dollar; and six bits three-quarters of a dollar, the same as today. You perhaps have heard the phrase “Two bits,” “four bits,” and “six bits.” Spanish pieces of eight also eventually became the model or standard of the U.S. dollar, inasmuch as Jefferson, Hamilton, and Robert Morris, with an eye to the Spanish dollar, prepared post-Revolutionary War recommendations which resulted in the dollar being officially adopted as the American unit of account.

Throughout the colonial period, the colonial governments were distressed to see money drained from their jurisdictions. As a consequence, they made various attempts to keep coins from leaving home. Here again, laissez faire got short shrift. Most of the colonies passed laws designed to keep coins within the colony, but, on the whole this legislation was not effective. A favorite scheme was to over value a foreign coin. If a particular foreign coin should be traded at a higher figure in one colony than another, it would gravitate there. Both pirates and merchants recognized this, and thus took their coins to those ports where the legal value of coin was highest. The result was that certain ports, New York foremost among them, tended to attract pirate and merchant monies. Charleston, Philadelphia, and Boston, also, at one time or another, were especially attractive to outsiders. As they overvalued coins, the colonies naturally competed with each other, and often this competition made currency exchange all the more unstable.

The English government tried to bring some order out of chaos – to establish some kind of uniformity in the money of the colonies. In 1704, the English tried to establish a uniform value for Spanish pieces of eight, and to fix all other coins in relation to the Spanish coin. But the law could not be enforced. In 1708, Parliament passed another law prescribing that any person in the colonies who paid or received coin at a different value than that prescribed by law would be imprison or fined. This law also was flouted. As the years went by, many creditors’ colonial and English were hurt financially by holding colonial paper that had lost much of its value. English creditors, particularly, demanded that the government do something about the mess, especially the chaotic conditions in New England. The British government responded in 1751 by prohibiting the New England colonies from further issuance of bills of credit as legal tender. Moreover, the government insisted that existing notes be retired as they came due. In 1764, Britain extended the 1751 Act to all other colonies.

This Act came during a depressed period, after the French and Indian War. Consequently, it hurt and angered many colonists, including those who lived in colonies which had acted with restraint. These people felt that it was unfair for them to be penalized along with the New Englanders. Of all the British restrictions on American economic life, there is no question that the acts of Parliament dealing with currency galled the colonists more than anything else.

The currency problem lingered throughout the colonial period, and was one of the chief problems confronting the founding fathers of the U.S.A. A key difficulty was the continuing controversy between advocates of “sound” money, who regarded any increase in the money supply beyond the quantity of coin in circulation as wicked and dangerous, and the advocates of “cheap” money, who wanted a rapidly increasing supply of money. The battle between the advocates of cheap and sound money was to continue until the late 18th century, much along the lines begun in colonial days. Monetary controversies have, of course, been a standard feature of American history. As a result, the U.S. has probably produced more “money cranks” per square mile than any other nation. As for the colonists, they were stoical about their difficulties – the lack of uniformity in money, the depreciation of money, and the confusion over retirement dates and differing values of notes issued side by side. They simply urged each other to do his or her best to get along under the circumstances.

**COLONIAL DOMESTIC TRADE & EARLY TRANSPORTATION**

Domestically, despite difficulties, there was a fair amount of trading between towns and the countryside during the colonial era. Produce and goods moved by packhorse or wagon. Peddlers fanned out over the countryside and a handful of markets and fairs were to be found. However, land transportation was primitive and did little to encourage commerce and trade.

Late in the colonial era, however, a road system of sorts emerged. A post road ran from Maine to Charleston, South Carolina. U.S. Highway No. 1 later followed this road and still does to this day. Until the 1960s, Highway No. 1 was the principal road along the Atlantic Coast, after which time it was superseded by an interstate highway. During the late colonial era, there also were roads from Philadelphia to Pittsburgh and through the Shenandoah Valley of Virginia.

The best road of the 18th century America was the so-called “Great Road,” or Lancaster Turnpike. This road ran between Philadelphia and the mouth of the Conestoga River in Lancaster Country, Pennsylvania, the home of many Mennonites and Amish.

For use on this road, the Pennsylvania Dutch farmers developed the Conestoga wagon, which eventually became the covered wagon which tackled the Oregon, Santa Fe, and other western trails. Conestoga’s by the tens of thousands plied the Oregon Trail, and if you visit Scotts Bluff, Nebraska, you can still see their wagon tracks dug six feet and more into the earth by the massive wheels.

Overland, during the colonial period, people traveled either on horseback or by stagecoach. Stages ran on schedules between the larger towns. It took two days for the stage to cover the 100 miles between New York and Philadelphia and this speed was considered fast for its day.

Mail of the colonial period was carried by post riders, some of whom traveled both day and night, much as did Pony Express riders of a century later. The Pony Express operated only in 1860-61; the telegraph killed it and it never made any money. As for the post riders of the colonial era, while some traveled night and day, most did not. Consequently, under ordinary conditions, it took six days for a Boston businessperson to dispatch a letter to a Philadelphian.

Because of slow delivery service, some colonial businessmen at times resorted to private messengers, much as today many businesses rely on Federal Express, UPS, etc. rather than the regular postal service.

There also was a certain amount of river traffic during the colonial era, especially in the South. Northern river traffic was negligible, except on the Hudson, which is more like a fjord than a river.

The coastwise trade was the most important trading link between the colonies, and New Englanders almost monopolized this trade. Many Yankee traders, during the off season (winter), took salt, rum, iron, wooden ware, and clothes to Southern colonies, then returned with pitch, tar, and pickled pork. Yankees gained part of their reputation for sharp trading in their deals with Southerners. The coastal trade, while important, was considerably overshadowed by the colonies’ trading with Britain and the West indies.

In sum, domestic trade was generally of lesser importance than foreign commerce during the colonial period, given the Colonies’ strong ties to and dependence on Britain, and what little domestic trade did exist was prohibited by primitive transportation methods and dominated mostly by coast-wise trade in the Atlantic.

**COLONIAL FOREIGN COMMERCE**

Foreign commerce, in an economic sense, was the lifeblood of the colonial era. This era, in fact, was one of the few times in American history that foreign trade was more important to the country than domestic trade.

It was natural that foreign trade would be highly important to the colonists. Markets and marketing agencies for American commodities were in England. Moreover, the colonies had certain obligations to England, which could only be met through trade. The British Empire itself was essentially a commercial empire; and almost everything that England did or did not do with respect to the colonies until about 1774 had to do with trade. Specifically, Britain insisted that the colonies should trade principally, if not exclusively, with the mother country; that the colonies should produce such raw materials as were needed by the mother country; that the colonies should serve as a market for the mother country; and that the colonies should not compete with the mother country's markets. In return, the mother country owed the colonies protection from foreign aggression and the Indians.

This mercantile system, to which the colonies rather successfully adjusted, was expressed in a series of Acts of Parliament known as the Acts of Trade and Navigation. These Acts generally applied to all British colonies--Ireland, India, the West Indies, America, and so on. The West Indian trade was of more importance to England than its trade with America. The amount of English trade with Ireland was about the same as that with the American colonies, whereas England's trade with India was slightly less than that with the American colonies.

Hundreds of Acts of Trade and Navigation were passed by Parliament, the first of them in 1651 to prohibit the shipping of American products in Dutch vessels. Through the years, the Navigation Acts placed three basic kinds of restrictions on colonial trade.

Firstly, all trade between England and any of her colonies had to be carried in ships owned by English nationals or by colonials and manned by crews that were at least three-fourth English or colonial in composition. This principle greatly encouraged colonial shipbuilding, and as you will recall, by the time of the Revolution, one-third of the British merchant marine had been built in the colonies.

Secondly, all European imports received by the colonies, with a few minor exceptions, had to come from England. This meant that any imports from continental Europe had to pass first through an English port. This kind of legislation provided extra business for English merchants and warehousemen and extra jobs for English dockwallopers.

Thirdly, certain commodities, called "enumerated" articles, could be shipped only to England. At first, the list of enumerated articles was small, but as time went on, it was greatly expanded. Finally, it included all of the important crops and commodities produced in the colonies. The purpose of shipping crops and products to England was to give English merchants a monopoly on processing and distributing colonial products to other countries.

There were exceptions to the basic import and export laws. New England could ship its salt fish anywhere. South Carolina could export its rice directly to Southern Europe. In addition, the colonies could import fruit, salt, and wine directly from the Mediterranean area.

The colonists protested against various Navigation Acts. However, they were not greatly harmed by them, once they adjusted their trade patterns to conform to the Acts. Moreover, the enumerated products enjoyed a monopoly in the English market.

Among the many Navigation Acts, let us examine one--the Molasses Act of 1733--because of its relevance to the future independence movement. The Molasses Act was brought on by pressure from sugar planters in the British West Indies. They were unhappy about the amount of trade between the Northern colonies and the French West Indies. The Yankees, as it happened, preferred to buy their molasses--which was used to make rum for the domestic and export trade--from the French West Indies, rather than the British Indies. Why? Because the French charged less for their product, which, also, was considered to be of superior quality. At the same time, the French West Indies served as an excellent market for Yankee horses, barrels, fish, and foodstuffs. British sugar planters looked askance at this thriving trade between British subjects and the French. The planters had considerable influence in Parliament, and they got that body to pass a duty of sixpence per gallon on molasses and proportional duties on sugar and rum bought outside the British Empire. These duties were prohibitive. If they had been enforced, they would have ruined the trade between the Northern colonies and the French West Indies. However, the Act was a dead letter from the start. Evasion of the Molasses Act was inevitable. The colonists paid little attention to it, and British officials in North America often looked the other way in recognition of the importance of the trade. The Royal Navy itself made little effort to enforce the Act.

The reputation of colonial Americans as smugglers derived from evasion of the Molasses Act. In getting around the law, the Yankees displayed their legendary ingenuity. Many merchants, for example, equipped their ships with several sets of papers, signed by various owners, and with officers of several nationalities. Thus, a ship could claim to be of colonial, English, French or Dutch registry, depending on what it was best to be at the time. Colonials generally were law-abiding, but they tended to regard smuggling as apart from the law. Smuggling was comparatively free from moral taint in an age when all seafaring nations constantly engaged in privateering and hoisted various colors at sea. Therefore, in good conscience, devout colonials slipped contraband cargo into harbor at night, and, next morning, serenely passed the plate in church. As for the Molasses Act, later on, as we shall see British attempts to enforce even a milder version of it helped to trigger the movement for American independence.

The question arises whether British Acts of Navigation, taken as a whole, encouraged or restrained economic development. Was English policy simply one of exploitation, or was it two-sided? Historians are divided on the answer. Some say the Navigation Acts were beneficial up to 1764, and then were among the causes of the American Revolution. Others say that the colonies were exploited to a very considerable extent throughout the colonial period. There are two sides to the question. It is clear enough that some provisions of the Navigation Acts stimulated the colonial economy. Bounties paid for indigo and naval stores are cases in point. The Acts also provided a monopoly for enumerated commodities in the British market. In addition, the colonies had a preferential tariff with Britain--American goods got into Britain cheaper than goods of non-British countries. Moreover, the English were so interested in protecting colonial tobacco planters that they made their own farmers stop growing the crop. England also permitted the colonies a lucrative trade with Southern Europe as long as enumerated products were not involved. England was the only country to permit its colonies to do this; Spain, for example, allowed no trade between its colonies and other countries and their colonies. American colonies also shared in shipping monopolies. The English navy provided protection for the colonies; and the English taxpayer financed the navy. Naval protection was very important in the Mediterranean Sea, where Barbary pirates sallied forth in the 17th, 18th and even the 19th centuries. The British navy made a deal with the pirates for immunity for British including colonial vessels. Americans had to go to war with these pirates after independence, off the shores of Tripoli.

Before 1763, when English policies toward the colonies were changed, the colonies complained about British restrictions, but not to the point of getting into a fighting mood. After 1763, they longed for a return to the "good old days." The colonies could not make a strong case that they suffered from British restrictions down to 1763. The laws admittedly were designed for the British, but, as they worked out, British and American interests usually coincided. However, this was no longer true after 1763.

**ECONOMIC BACKGROUND OF THE REVOLUTION**

British policies after 1763 led to a break between the colonies and Britain--and to the Revolutionary War. Political, constitutional, and economic policies--all entwined--were involved in the break. Our primary concern is with economic policy.

A series of critical events was triggered in America with the English victory over the French in 1763. The war between the two great powers--the Seven Years War--was fought all over the world; it was a world war in the true sense of the term. The North American phase of the Seven Years War was called the French and Indian War. It was resolved with Wolfe's victory over Montcalm on the Plains of Abraham at Quebec City, after which Parliament had a great debate over whether France should be permitted to keep Canada or Guadeloupe (England could have taken both, but wanted to make a generous peace). One faction favored taking Guadeloupe, then the premier sugar-growing area of the world, while maintaining that Canada was nothing but an "icebox." Parliament ended up taking Canada.

During the French and Indian War, the colonists had not been of much help to the British in battling the French. The colonies had supplied relatively few front-line troops for the common cause. The British were unhappy about the colonists' reluctance to fight in the war. Moreover, they were highly perturbed at the persistent trading between the colonists and the French while the war was going on. The British figured, and rightly, so, that shipments from the colonies to the French West Indies prolonged the West Indies phase of the war. The British, at the same time, were irritated by the colonists’ inattention to the Molasses Act of 1733. All of these factors induced the British to reappraise their navigation system at the end of the French and Indian War.

In 1763, in the then West, another critical event was occurring--Pontiac's Rebellion. Seven of nine frontier forts fell, including the one at Mackinaw City, which, incidentally, has been restored and is the best restoration of a colonial outpost in the country. What with the Indian rebellion, the Indians had to be pacified and given better treatment. Stirring the problems growing out of the French and Indian War, the British decided to tighten their navigation system, shore up their North American defenses, and improve Indian conditions. Accordingly, Britain began to enact measures, which introduced a new era in colonial-British relations. England's colonial policy actually was but an extension of the old--but with an important difference: the post-1763 policies were adopted with the intent of enforcing their provisions. The colonies saw that Britain had been serious, and resisted the enforcement procedures.

In the crises after 1763, a pattern emerged. There would be protests against a specific British measure. Colonial merchants who felt that they were being hurt in some way invariably would initiate the protests. The protest, in other words, would start as an economic protest--as a complaint against the economic aspects of a given measure. After the economic protest got underway, others would raise constitutional questions, i.e., whether Parliament had the right to enact certain measures. As the protest movement broadened, it became more radical. The British would see this, and often would retreat in the face of the opposition. The merchants, too, would get disturbed about the radical overtones of protests and tend to withdraw their opposition until things quieted down. After things had quieted down, the British would take some additional steps to rile up the merchants, and the pattern of protest would be repeated. The British could have profited from a more intelligent handling of the merchants, but instead kept stirring them up. It should be noted, however, that up to the time of the Declaration of Independence, and even beyond, merchants, as a class, were not hell-bent for independence. The deepest desire for independence came from the radicals, not the merchants.

Let us now look at some of the post-1763 policies that particularly aggravated the colonists.

In the first place, as has been mentioned, the Navigation System was tightened. Before 1763, customs officers generally lived in Britain and were represented in America by deputies. These deputies were underpaid and accepted bribes freely. Now, customs officers were ordered to move themselves to America or give up their jobs. In many instances, they gave up their jobs, and conscientious Scots were named to their positions.

At the same time, Britain reorganized the customs operation it also dispatched more revenue cutters to America and ordered the British Navy to enforce the acts of navigation, which were on the books. Before this time, the Royal Navy had not enforced these acts except for the shipping clauses--the clauses that kept non-British ships out of colonial ports. Britain also revived the use of *writs of assistance*--general search warrants for goods--to curb smuggling. This meant that a specific search warrant was not needed to check on smuggled goods, whether on ships, in warehouses, or homes. Thus, the authorities could enter premises at any time in search of smuggled items. The colonists hated these writs so much that the founding fathers outlawed them when drawing up the Bill of Rights. It has been a basic doctrine of American law that authorities cannot invade a person’s home for a general search.

In enforcing the navigation acts, some British customs officials and Navy personnel practiced racketeering. They had much to gain if they acted as racketeers because they received 1/3rd of the take when they confiscated goods on land; and a captain and crew got 1/2 of the confiscated property when goods were taken at sea. When a dispute arose over the legality of a confiscation, the cases were tried without a jury before an Admiralty Court. The burden of proof was on the defense, not on the prosecution. Moreover, the defendant normally paid all or part of the court costs, even if he won his case. Given this situation, some confiscation of ships and goods was based on minor technical infractions of the law. This infuriated many merchants, who were hurt in their most sensitive nerve--the pocketbook nerve. John Hancock was especially enraged by the enforcement procedures. Hancock, however, in fairness to the British, was one of the biggest smugglers in the colonies, gaining a reputation as the "Prince of Smugglers." At the time of the Revolution, Hancock was charged with unlawful activities which would have cost him his fortune had he been found guilty. Little wonder that Hancock signed his name to the Declaration of Independence in big bold letters so that George III would have no trouble reading it without his spectacles.

In the West, with respect to the Indian problem, basic conflict between fur traders and land speculators must be taken into account to understand British policy. The fur traders wanted permanent Indian reservations, not white settlement which would ruin their trade. Land speculators wanted settlement to advance to enhance the value of their land holdings. The fur traders, as it happened, had considerable influence in England, where the decision on the West was to be made. The traders could exert pressure on their large suppliers who, in turn, had influence in Parliament. In addition, the traders could count on the support of most Scots in Parliament inasmuch as they had close ties with fellow Scots who had assumed control of the Montreal fur trade after the British conquest of Canada.

The land speculators, although far outnumbering fur traders in the colonies, were outgunned in Parliament. Still, they tried to win the day, arguing that if the West were opened to settlement the American population would grow and thus become an improved market for England. Franklin, Jefferson, and other speculators also advanced the view that, if America were allowed to extend its agricultural economy into the West, Americans would remain content with an agricultural economy. On the other hand, went this argument, if the colonists were confined to the coast, they would inevitably turn to manufacturing--and compete with Britain--as soon as the available cheap land on the seaboard had been taken up. The land speculators' arguments failed, however. Parliament came down on the side of the fur traders, with Pontiac's Rebellion probably tipping the scale in favor of the fur crowd.

The result was the Royal Proclamation of 1763, which forbade colonial settlement west of the crest of the Alleghenies. This Proclamation was announced as a temporary measure, but it remained in effect until the Revolution. With this decision, Parliament antagonized powerful land speculators. Many of these speculators were in debt to the British, and they believed their only chance of meeting their debt was through the appreciation of land values--and the land could not appreciate in value if closed to settlement. So at this point, the land speculators, many of them Southerners, lined up with the Middle Atlantic and New England merchant class in opposition to British policies.

Britain, in addition to having to make decisions concerning navigation acts and the West, also had to consider defense--and to raise money to finance the defense effort. The British decided to maintain a permanent garrison in North America--much as the U.S. decided to keep troops in Europe and Japan after World War II. The British planned to station 10,000 regular troops in North America at an annual cost of 350,000 pounds. The British, who had footed almost all of the cost of the French and Indian War, expected the Americans to pay at least part of the cost of their defense. (Here, of course, is a forerunner of disputes between the U.S. and some of its allies over payments for troop support.)

Specifically, Britain wanted the colonies to pay about 150,000 pounds toward the cost of maintaining the North American garrison. The colonies objected strenuously to paying for troop support, asserting that there was no need for a garrison of 10,000 soldiers. There was some truth to this assertion, inasmuch as General Amherst, commander-in-chief of North American forces, only asked for 6,625 troops, and he should have known better than Parliament how many troops were needed. Looking at the figures, the colonies concluded that the decision to send 10,000 soldiers was made to provide jobs for British Army officers who otherwise would have been retired on half pay. Moreover, when the troops arrived, more were stationed at places such as Halifax, Nova Scotia, rather than on the frontier--Pittsburgh, Detroit, Western Carolina, and the like. This deployment convinced many colonists that the garrisons were not sent to North America for their protection. From the British standpoint, however, it made sense to station many of the troops on the Coast until needed, because it was so much easier to supply them by sea than overland. In any event, Britain's decision to raise money from the colonists brought on a crisis. Unfortunately, the decision came at a time of depressed economic conditions--in the wake of war, when it was hard for people to make ends meet. However, regardless of the timing, there is no denying that Britain could make a case for its actions.

Britain's decision to raise money for defense led first to passage of the Sugar Act of 1764, also called the Revenue Act because it was the first real revenue measure directed against the colonies by Britain. It was not the first tax, but it was the first tax frankly designed to raise money rather than being primarily concerned with regulating trade. On the surface, it is difficult to see why the colonists complained about the Sugar Act, because it cut the duty on molasses from 6 to 3 pence per gallon. However, the 6 pence tax had never been collected, while the British intended to collect the 3 pence. As a result, an anguished howl went up from those affected. The New England merchants, who stood to suffer most from its provisions, led the opposition to the Sugar Act. The British anticipated that the net return from the Sugar Act would be about 45,000 pounds. Since Britain hoped to raise 150,000 pounds, it had to consider additional taxes as well. The Sugar Act was just a step in the right direction; and, in actuality, it never brought in 45,000 pounds.

Next Britain passed the Stamp Act of 1765, which was announced in advance of its effective date. Again, a terrific howl went up from those affected. The Stamp Act provided for the affixing of stamps on all legal and commercial documents--pamphlets, ship clearings, deeds, newspapers, etc. The British insisted that the tax be paid in specie, always hard to come by, and had high hopes that the Act would bring in from 60,000 to 100,000 pounds annually. Therefore, the Sugar and Stamp Acts together were supposed to bring in the bulk of the revenue needed.

The Stamp Act particularly affected merchants, but it also heavily taxed newspaper owners and lawyers--two highly vocal groups. In coming down hard on these two groups, the British acted unwisely. As for the merchants, they thought the Stamp Act was an unmitigated disaster. John Hancock and many others said that enforcement of such an Act would ruin them. In addition, there were constitutional issues involved as well as economic issues--with both issues being entwined after 1765.

The colonies applied anti-tax pressure on England by not importing British goods. A 1765 boycott was not well organized, but it did cut trade, which alarmed British merchants and trading houses and caused them to put pressure on Parliament to reconsider the taxes on colonists. So Parliament was lobbied by both English and colonial mercantile groups. Parliament responded by repealing the Stamp Act in 1766; it never raised any money. At the same time, Parliament reduced the duty on molasses from 3d to 1d. But this tax now applied to all West Indian molasses, not just that from French islands. The tax on molasses was small, but still involved taxation without representation, then a burning political issue. However, New England merchants were satisfied with the reduction of the tax to one pence and the repeal of the Stamp Act. Therefore, there was a lull in revolutionary activity, while the need for a tax remained.

In 1767, a new Chancellor of the Exchequer, Charles Townshend, levied several new taxes, which bore his name--the so-called Townshend Acts. These acts taxed certain important commodities coming from England, among them paper, glass, and, above all, tea, then the national drink. Americans again boycotted British goods. This time, the boycott was effectively organized in the major port cities, and the British again backed away. In 1770, they met the colonists' wishes by repealing duties on all commodities except tea. The tax on tea was kept not so much to raise revenue as for symbolic purposes. George III wanted the tax kept as a mark of Parliamentary supremacy over the colonies. Again, the colonial merchants were satisfied, and from 1770--when all duties except those on tea were abolished--until 1773, the Revolutionary crisis died down.

Then came a blunder on the part of Parliament, which passed the so-called Tea Act of 1773--designed to bail out the British East India Company, which was inefficient and on the financial rocks. The Company had a seven-year supply of tea from the East in its warehouses on the Thames, and it had to get this tea to market to keep from going bankrupt. Parliament responded to the problem by giving the East India Company a monopoly of the American market, specifying that tea should be shipped to America only in East India Company ships and that it should be delivered only to its own agents. This measure infuriated American ship-owners and storeowners, often the same person. They were particularly concerned about the monopoly feature, figuring that if the British could act this way regarding tea, they might monopolize other products as well. American merchants thus felt they were being pushed aside in favor of the British. They felt threatened as never before.

When the tea ships arrived in America in late 1773, Americans either persuaded skippers to turn back, or unload their tea for storage in warehouses, except in Boston. In Boston, a mob disguised as Native Americans and African-Americans rushed down to the waterfront and emptied a fortune in tea into the harbor. The Boston Tea Party infuriated the British government and goaded it into acts of reprisal. The King and the British cabinet considered the Tea Party high treason, and figured it was time for Mother England to crack down on her overseas brat.

Accordingly, in 1774, Parliament passed the so-called Coercive or Intolerable Acts. The four Coercive Acts, together with the Quebec Act, could only lead to a complete and final break with England. One act closed the Port of Boston to all shipping until Boston agreed to pay for the dumped tea. Another act gave a crown-appointed governor the power to rule Massachusetts, this act amounting to a revision of the Massachusetts charter. A third act permitted British officials charged with crimes committed while enforcing British laws to be tried outside of Massachusetts. The fourth act empowered the royal governor to commandeer private houses for quartering soldiers.

The Quebec Act, while popularly associated with the Intolerable Acts, was directed to an entirely different problem--the Western problem. This act moved the boundaries of Quebec province to the Ohio and Mississippi rivers, thus destroying the western claims of several states. This act further angered tobacco planters and others who were dependent for their prosperity upon free western land. Because of this act, these people tended to become anti-British.

The Intolerable Acts after all was said and done, were a bald assertion of power on Britain's part. The question now became less one of taxation, customs duties, and the like, and more one of power – of who had charge here: Britain or the 13 colonies.

**ECONOMIC SIGNIFICANCE/IMPACT OF THE REVOLUTION**

The Revolutionary War had varied effects on the American economy, some of them adverse. The production of indigo and naval stores, for example, was crippled. The British, as you will recall, had paid bounties on these commodities during the colonial period. These bounties were discontinued with the onslaught of war. The offshore fishing industry was all but wiped out by Royal Navy patrols off the Grand Banks. The whaling industry also was very hard hit. Whaling vessels were able to hunt as before, but their key market--the British market--was cut off after the start of the war. During the war, many whale hunters from Nantucket emigrated to England and France to build up a whaling industry in those countries. The Royal Navy also virtually eliminated New England's lucrative trade with the West Indies during the war. Agricultural activities were disrupted in areas where fighting was taking place--especially in the South--but these disruptions usually were only temporary in nature.

On the plus side, American manufacturing was stimulated to a certain extent by the war. As British imports were cut off, shortages of many items developed. American entrepreneurs moved in to meet some of the shortages, and in most states, they received bounties or other special aid. The federal government itself came to the aid of the iron industry, exempting its workers from military service. However, with British markets and capital cut off and with the expulsion of many pro-British Tories, who generally were the iron industry's leaders that industry did not expand during the war. The manufacture of arms was stimulated by the war, especially in Springfield, Massachusetts, Waterbury, Connecticut, and Lancaster County, Pennsylvania. Not only the federal government (the Continental Congress) but also state governments moved into arms manufacturing, operating foundries, cannon, and musket plants to supplement the output of privately owned shops. Despite the crises, it is interesting to note that some private arms makers and other businesspersons complained that the government had no right to engage in arms manufacture in competition with what today we call the private sector.

**BUSINESSPERSONS & PRACTICES DURING THE REVOLUTION**

The Revolutionary War served to bring forth the talents of a new breed of businesspersons--men who were ready to set a faster pace than their colonial counterparts and who were equally ready to strike out in new directions. Members of this group gained considerable influence after the Revolution and became the leading supporters of Hamilton's plans for economic development.

The war provided opportunities for businesspersons, both old and new, in various ways. Some entrepreneurs made substantial profits by serving as defense contractors--by supplying the American Army and Navy. With many of these contractors, it was cash on the barrelhead--or no supplies. Other businesspersons were engaged in privateering--legalized piracy, which was sanctioned by Congress and most of the states. American merchants outfitted more than 1,500 ships to prey on British commerce, and some of them were highly successful in capturing and bringing to port enemy ships. However, privateering could work two ways. Sometimes the privateers' ships were captured or destroyed by the Royal Navy. Some businesspersons also speculated in currency during the war, buying and selling various notes with an eye to a profit. Other American merchants, especially those with Tory sympathies, made money by trading with the British. There was a great temptation to trade with the British, because Britain paid for goods in gold. In addition, trade with Britain was easily managed since the Royal Navy controlled the seas.

Some colonial merchants prospered by developing new trade routes. This was possible because in April 1776--three months before the Declaration of Independence--the colonies had declared a commercial declaration of independence. By the terms of this declaration, the British Navigation System was set aside, and colonial ports were opened to ships of all countries except Great Britain and her possessions. This arrangement was just the opposite of the old system. After April 1776, American businesspersons could trade legally with France, Holland, Sweden, Russia and other nations; and these nations, in turn, were eager to trade with America. It was not easy for American businesspersons to trade with non-British nations in the face of the Royal Navy's blockade, but some Americans succeeded in doing so.

One of the long-term effects of the Revolutionary War on business was that it tended to encourage more group business than ever before. As mentioned earlier, colonial businesspersons--while they might band together to buy ships or marine insurance--generally operated as proprietors or in partnerships. Only in a handful of instances, did they seek to charter corporations or organize pools such as the United Association of Spermaceti Manufacturers. However, during the war, because of the difficulties and complexities of doing business, more businesspersons worked more closely together than had been the case in the colonial era. For example, groups of businesspersons rather than individual entrepreneurs carried out most of the outfitting of merchant vessels and privateers and underwriting of marine and other insurance, as well as provisioning of the armed forces.

One of the effects of this stepped-up wartime cooperation was that--along with the transfer of corporation chartering from the crown to the states--companies became more important after the war. The issuance of shares became much more common. In 1800, the U.S. census listed 335 corporations. Three-fourths or 255 of these companies were quasi-public enterprises--turnpikes, bridges, canal companies, water and fire protection organizations, dock companies, etc. Banks and insurance companies accounted for 67 of the 335 enterprises. Only six of the chartered firms were engaged in manufacturing. Thus, manufacturing was still largely under the control of individuals and partnerships.

During the Revolutionary War, a number of American merchants were loyal to Great Britain. However, an even greater number rallied to the Patriot cause. The businessperson who did more to aid the colonies than any other was Robert Morris, of Philadelphia, the key member of the committee of businesspersons assigned to buy war supplies for the Continental Congress. Morris, while working on behalf of the government, also ran his own private business. This, in time, led to charges of corruption. At the time, however, nobody expected Morris to give up his business to aid the government. It was not like today, when business figures are expected to divest themselves of private business activities upon assuming government office. In addition to buying supplies for Washington's army, Morris also was instrumental in financing the Revolution--and came to be known as the Financier of the Revolution. Morris thought it necessary for the government to operate on a sound money basis. He also believed it important for the government to establish a privately owned bank tied to the government. Such a step, he reasoned, would serve to bring together men of wealth and the government, the feeling being that if wealthy men had a stake in the government they would support it.

Practicing what he preached, Morris and a few associates in 1781 founded the Bank of North America, a private bank capitalized at $400,000, to help finance the Revolution. France put up half of the Bank's capital in gold. Wealthy Americans came forward with about one-fourth of the remaining amount needed to get the bank underway. The bank proved most helpful to the fledgling government, lending money to Congress to raise and supply troops with arms and provisions and bolstering civilian departments. In addition, the bank, as Morris had hoped, attracted the support of many wealthy men, making them even more interested in the new nation's success. In fact, the list of subscribers read like a who's who of the country's founders--Jefferson, Franklin, Hamilton, and Monroe among them. When the war was over, the Bank of North America switched from a national to a state charter. Eventually this bank became a part of what is today the CoreStates Company, Philadelphia's largest bank. Meanwhile, in 1784, two other state banks were chartered--the Bank of New York, which still bears the same name, and the Massachusetts Bank, a forerunner of the First National Bank of Boston.

The above three banks were the only banks in the country before 1790. In the 1790s, however, numerous state banks were chartered. This development brought about a big change in borrowing practices. Before the Revolution, if a person wanted capital, he borrowed from an individual. There was not a bank in the 13 colonies. Now a person could visit a banker to work out terms for a loan.

As mentioned earlier, Robert Morris was much maligned because he made money during the war. Made money he did, but it should also be pointed out that he helped to save public credit during the war and even performed the financial miracle of putting the country on a hard-money basis before the war ended. Morris actually accomplished as much for independence in finance as did Washington in the military sphere and Franklin in diplomacy. Ironically, Morris ended up bankrupt. He was ruined by land speculation that did not pan out. At one time, he owned a large amount of land in New York State and around Washington, D.C. However, this land did not rise fast enough in value to enable him to service his debts. In 1798, Morris was thrown into Philadelphia debtors' prison, and he was freed in 1801. Morris never regained his fortune; he lived off his wife's small income during his last years. Many of Morris's friends abandoned him when he lost his money. One friend who did not was George Washington, who visited Morris while he was in prison and who, with Martha, entertained Morris's wife at Mt. Vernon. The example of the President meant much to Morris during his time of trouble, and indicated very clearly the importance--in Washington's view--of Morris's earlier contribution to the founding of the Republic. Morris's name is mentioned in nearly every American history book, usually as the Financier of the Revolution. He is one of only 19 businesspersons cited in the Encyclopedia of American History's list of 400 Notable Americans, added evidence of his stature in U.S. history.

**ECONOMIC ASPECTS OF THE CONFEDERATION & CONSTITUTION**

Between 1781 and 1789, the Articles of Confederation governed the new American states. The Confederation Period was a time of weak central government, a time of economic dislocation because of war. Throughout this period, 1781-1789, Americans were just muddling through. The Confederation government's weaknesses were numerous. It could not tax. It could not regulate interstate or foreign commerce. It could not compel people to obey such laws as it was empowered to pass. Moreover, it could not even change the Articles of Confederation without the unanimous approval of all of the states.

These provisions were a reaction to the previous British regime. Americans, at this time, simply did not want a strong central government, having felt oppressed by one in the recent past. As the 1780s wore on, however, it became obvious to most people that the new nation could not continue to muddle through under the articles of Confederation. The straw that finally broke the camel's back was a rebellion--Shay's Rebellion--in Massachusetts in 1786. Impoverished farmers whose mortgaged farms were being sold out from under them carried out this rebellion. Under Captain Daniel Shays, these farmers sought to keep courts from sitting, thereby halting evictions. Eventually the farmers attempted to seize a federal arsenal to get arms. The attempt to seize the arsenal thoroughly aroused Massachusetts' conservative element, which loaned money to the state government to raise troops to put down the insurrection. The episode was important in that it produced uneasiness in many places throughout the country, and suggested to people of property that a strong central government was needed to cope with uprisings and to maintain law and order. Here a federal arsenal was about to be taken over, and no troops were readily available to march to its defense. Therefore, Shay's Rebellion prompted a demand to set up a strong central government to defend property rights--and in the process helped to trigger the movement for the new Constitution.

In 1787, the framers of the Constitution--now the world's oldest constitution--met in Philadelphia. The 55 men who framed the Constitution represented a diverse group of economic and other interests. Forty of the 55 held public securities--were holders of government debt. These men wanted the government to collect taxes and to use tax money to pay off the public debt at par. Fourteen of the delegates were speculators in Western lands. They wanted a strong government, which could exercise firm control over the West and thereby improve chances for an appreciation of Western land values. Twenty-four of the delegates were creditors--people who had loaned money at interest. These people hoped that the new government would have sound monetary policies. Eleven of the 55 delegates were concerned with mercantile, shipping, and manufacturing enterprises. They wanted an end to interstate tariffs and trade discrimination. Fifteen of the delegates were slaveholders. They wanted a central government capable of dealing with runaway slaves and insurrections among slaves. Two groups, which were not represented among the delegates, were small farmers and mechanics.

Among the delegates there was strong agreement on economic questions--on taxing powers, regulation of commerce, and so on; and the Constitution went a long way toward protecting economic interests. For example, the Constitution decreed that Congress could levy and raise taxes--which would put the new nation in a position to pay its debts. The Constitution also decreed that the federal government, rather than the states, would have the prerogative of coining money--and that the federal government could punish counterfeiters. In addition, the Constitution said that the states could not make laws impairing the obligation of contracts. The Constitution also gave the federal government the power to call out the military to quell rebellions such as Shay's, or to put down a slave uprising. Moreover, the Constitution made provision for the return of runaway slaves. Later on, the power to call out troops was used extensively in dealing with labor-management strife--and has been used to quell other riots. As far as the West was concerned, Congress was given the power to dispose of the land. Finally, Congress was given exclusive control over both interstate and foreign commerce. In such ways the larger interests of commercial, manufacturing, and shipbuilding enterprisers were protected.

It can be argued that the foregoing measures served the best interests of the framers of the Constitution. There can be no question that most of the delegates had a personal economic stake in the Constitution--and that most of them were economic beneficiaries of that document. However, it can also be argued that the government needed these economic measures to survive. There is no denying that the men who framed the Constitution built well. Only 26 amendments have been added to the document, although of course, there have been numerous judicial reinterpretations over the years. Still, the document has survived longer than any written constitution in world history, and has served as a model for dozens of other nations.