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Reviewed work(s):

Source: *The William and Mary Quarterly*, Third Series, Vol. 29, No. 1 (Jan., 1972), pp. 3-32

Published by: [Omohundro Institute of Early American History and Culture](#)

Stable URL: <http://www.jstor.org/stable/1921325>

Accessed: 19/08/2012 20:56

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# An Economic Interpretation of the American Revolution

Marc Egnal and Joseph A. Ernst\*

THE Atlantic economy in the half century before American Independence underwent deep, wrenching changes. As a result, English capital and English decisions increasingly dominated the colonial economy. The freedom of the wealthy colonists, merchants and planters alike, to conduct business as they chose was restricted. Profit margins were lessened and possibilities for local development sacrificed. These broad, structural changes, and the accompanying short-run economic crises, troubled the colonial elite at least as much as did the parliamentary enactments which followed the Seven Years War. These new British measures remain one ostensible cause of revolt. But the colonial reaction to them was determined in large part by a growing concern for the economy and for economic sovereignty, a concern that only coincidentally reinforced the dictates of patriotic principle.

This transformation of the colonial business world is the framework for the following broad and tentative reinterpretation of the American Revolution. Our reinterpretation, however, does not argue a monocausal explanation for the colonies' struggle with Britain. Consequently, an examination of the strengths and weaknesses of earlier writers provides a necessary introduction to the presentation of a new hypothesis.

Modern historians of the American Revolution conveniently fall into two schools: the Progressive and the neo-whig. In seeking to explain the colonists' break with the mother country, Progressive authors wrestled with two stubborn problems for which they never achieved a happy resolution. One was the question of the impact of the Navigation Acts. At the turn of the century, the architects of the so-called "Imperial School" of British-American history, George Beer and Charles M. Andrews, pronounced the administration of the empire from Whitehall

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and Westminster remarkably evenhanded.<sup>1</sup> Some progressive historians, including Arthur Schlesinger and Carl Becker, went along with this interpretation. For these writers no fundamental conflict existed between English and American societies. There was only a series of unwise measures passed by Parliament after 1763.<sup>2</sup>

Other Progressives found this analysis of colonial-metropolitan relations less satisfactory. Charles A. Beard, and later Louis Hacker, saw the rending of empire in 1776 as the product of long-standing conflicts between Britain and America, conflicts embodied in the Acts of Trade. Their condemnation of the Navigation Acts sits uneasily, however, and seems a weak foundation for any "economic interpretation." Hacker, for instance, dwelt on the restrictions on manufacture and trade before 1763.<sup>3</sup> Yet these regulations either were ignored by the colonists (as in the case of the Molasses Act of 1733) or touched only the periphery of trade. The ambivalence of these historians' explanation is best illustrated by Beard's comment:

Modern calculators have gone to some pains to show that on the whole American colonists derived benefits from English policy which greatly outweighed their losses from the restraints laid on them. For the sake of argument the case may be conceded; it is simply irrelevant to the uses of history. The origins of the legislation are clear; and the fact that it restricted American economic enterprise in many respects is indisputable.<sup>4</sup>

In addition to the difficulties raised by the Navigation Acts, the Progressives wrestled with a second problem: the complex nature of

<sup>1</sup> For a recent and suggestive discussion of these schools, see Gordon S. Wood, "Rhetoric and Reality in the American Revolution," *William and Mary Quarterly*, 3d Ser., XXIII (1966), 3-32. Concerning the views of the "Imperial School," see esp. Charles M. Andrews, *The Colonial Period of American History*, IV (New Haven, Conn., 1938); Andrews, *The Colonial Background of the American Revolution: Four Essays in American Colonial History* (New Haven, Conn., 1924); and George Louis Beer, *British Colonial Policy 1754-1765* (New York, 1907). See also A. S. Eisenstadt, *Charles McLean Andrews: A Study in American Historical Writing* (New York, 1956).

<sup>2</sup> See Arthur Meier Schlesinger, *The Colonial Merchants and the American Revolution 1763-1776* (New York, 1918); and Carl Lotus Becker, *The History of Political Parties in the Province of New York, 1760-1776* (Madison, Wis., 1969).

<sup>3</sup> Louis M. Hacker, "The First American Revolution," *Columbia University Quarterly*, XXVII (1935), 29.

<sup>4</sup> Charles A. and Mary R. Beard, *The Rise of American Civilization*, I (New York, 1927), 196.

the Revolutionary movement in the decade before Independence. Seeking to answer the "why" of the Revolution, men like Becker, Andrews, and Schlesinger came up with two hypotheses. First, while dismissing the idea of long-standing conflict between Britain and the colonies, these historians argued that the measures adopted by Britain after the end of the French and Indian War in 1763, coupled with the postwar colonial depression, caused the ruling classes, the merchants in the North, the planters in the South, to take the lead in opposing British policy.<sup>5</sup> And in sharp distinction to what neo-whig historians contend, this hostility to British measures stemmed not from whiggish constitutional principles, but from economics. Restrictive commercial regulations were imposed by the British upon colonies whose merchants were suffering in the depths of depression and whose large land- and slaveholders were groaning under a burden of indebtedness. This "economic interpretation" of the Progressives was narrowly focused upon the years after 1763 and was based upon an analysis which went little beyond the depiction of "hard times." Questions of the structure of the economy, or of long-term developments within the merchant and planting communities, were foreign to the concerns of these historians. The conclusion that merchants and wealthy planters sought imperial reform but shunned rebellion seems almost dictated by the limits of the economic analysis.

Since economic concerns did not make the merchants or planters into full-fledged revolutionaries, a different dynamic must have carried the movement of protest to fruition. Accordingly, an examination of the behavior of the "lower orders" provided the Progressives with their second, complementary hypothesis. During the decade before Independence, the argument ran, the lower classes of the cities fought to gain greater rights for themselves in what was essentially an undemocratic society. These "lower orders" supposedly joined the Revolutionary movement both because of a desire for greater power and because of a dedication to constitutional and democratic principles—the latter point strangely sounding more neo-whiggish than Progressive.<sup>6</sup> With their adherence

<sup>5</sup> See n. 2 and Charles M. Andrews, *The Boston Merchants and the Non-Importation Movement* (New York, 1968). Reprinted from Colonial Society of Massachusetts, *Publications*, XIX (1916-1917), 159-259.

<sup>6</sup> The democratic ethos of the lower classes is explored by Jesse Lemisch, "The American Revolution Seen from the Bottom Up," in Barton J. Bernstein, ed., *Towards a New Past: Dissenting Essays in American History* (New York, 1968), 3-45. See also the earlier statement by Merrill Jensen, "Democracy and the Ameri-

to the cause, the Revolutionary movement was transformed, in Carl Becker's famous phrase, into a two-fold contest: a struggle not only over "home rule" but also over "who shall rule at home." Furthermore, in the course of the Revolutionary struggle, these "radicals" (i.e., in the North, the "lower orders" of the cities and their leaders, and in the South, certain of the debt-ridden tobacco and rice planters) came to dominate the protests against Great Britain. The radicals were now opposed in their desire for imperial change by their natural enemies, the "conservatives"—wealthy merchants of northern cities and Charles Town and certain of the aristocratic planters. The two theses offered by Progressive historians were tied together by a transition in the nature of the protest movement during 1770. Pinpointing this change, Charles M. Andrews stated, "The non-importation movement [against the Townshend Acts] began as a merchant's device wherewith to obtain a redress of trade grievances; it ended as an instrument in the hands of political agitators and radicals for the enforcement of their claims of constitutional liberty and freedom."<sup>7</sup>

The Progressives did not however cut short their analysis with the break from England in 1776. Instead, led by the logic of their explanation, they mapped out a broad interpretation of events through the adoption of the Constitution in 1789. The Revolution (at least in the North) was of the lower classes against a plutocracy. This implied serious social change after Independence, a theory the Progressive scholar, J. Franklin Jameson, sought to defend.<sup>8</sup> The Constitution then became the quintessential counterrevolutionary document, a position ably presented in Beard's *Economic Interpretation*.<sup>9</sup> But such a tidy and sweeping account of the Revolutionary era rested on weak grounds. Research into areas such as the confiscation of loyalist estates, the nature of the new state governments, and so on, has shown that there was no social overturn accompanying the American Revolution and that what change

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can Revolution," *Huntington Library Quarterly*, XX (1957), 321-341; as well as Jensen's recent essay, "The American People and the American Revolution," *Journal of American History*, LVII (1970), 5-35.

<sup>7</sup> Andrews, *Boston Merchants and Non-Importation*, 101. In his writings on the Revolutionary years, Andrews easily fits the Progressive pattern.

<sup>8</sup> *The American Revolution Considered as a Social Movement* (Princeton, N. J., 1926).

<sup>9</sup> *An Economic Interpretation of the Constitution of the United States* (New York, 1913).

did come about in the nature of society was most moderate.<sup>10</sup> It was just these preoccupations and weaknesses of the Progressive approach that helped determine much of the content of the neo-whig scholarship that was to follow and that was to reshape the history of the Revolution.

Neo-whig critics have explicitly denied the existence of those internal conflicts so central to the Progressive view. For these historians, an understanding of the American Revolution rests in the realm of ideas and principles as opposed to economics or social classes. Both in the North and South, their argument goes, American society was dominated by consensus, and ruled in the interests of a property-holding middle class.<sup>11</sup> It follows that only minor social change accompanied Independence. Most important, the Revolutionary movement appeared to be conservative in the fullest sense of the word. A trend toward greater colonial sovereignty had been underway since the time of the first settlements. The colonists had indeed acquired more and more of the "rights of Englishmen" and a stronger dedication to these principles. After 1763, British measures threatened American liberty, leading colonists to react both to preserve their formal rights and to protect themselves against what they felt to be a genuine threat of British conspiracy, corruption, and enslavement. Declaring Independence merely confirmed trends dating back a century or more.<sup>12</sup>

For the neo-whigs, an examination of the colonial economy only strengthens their argument. The abundance of cheap land and the richness of the soil underscore a picture of contented, middle-class farmers.

<sup>10</sup> Compare Elisha P. Douglass, *Rebels and Democrats: The Struggle for Equal Political Rights and Majority Rule During the American Revolution* (Chapel Hill, N. C., 1955); James T. Lemon and Gary B. Nash, "The Distribution of Wealth in Eighteenth-Century America: A Century of Change in Chester County, Pennsylvania, 1693-1802," *Journal of Social History*, II (1968-1969), 1-24; Jackson Turner Main, *The Social Structure of Revolutionary America* (Princeton, N. J., 1965); and Frederick B. Tolles, "The American Revolution Considered as a Social Movement: A Re-Evaluation," *American Historical Review*, LX (1954-1955), 1-12.

<sup>11</sup> For a more complete bibliography of the neo-whig literature than is offered here, see Jack P. Greene, ed., *The Reinterpretation of the American Revolution 1763-1789* (New York, 1968), 2-59.

<sup>12</sup> See esp. Wood, "Rhetoric and Reality," *Wm. and Mary Qily.*, 3d Ser., XXIII (1966), 3-32; Edmund S. Morgan, "The American Revolution Considered as an Intellectual Movement," in Arthur M. Schlesinger, Jr., and Morton White, eds., *Paths of American Thought* (Boston, 1963), 11-33; and Bernard Bailyn, "Political Experience and Enlightenment Ideas in Eighteenth-Century America," *Amer. Hist. Rev.*, LXVII (1961-1962), 339-351.

More recently, and with perhaps some contradiction, writers such as Bernard Bailyn and Gordon Wood have noted the economic uncertainties that beset debt-ridden planters and struggling merchants. For neo-whigs, however, such commercial problems do not form the basis of an interest-oriented interpretation. Rather, instabilities in the economy are only part of the troubling ambience that led colonists to credit all the more reports of ministerial plots against their freedom.<sup>13</sup>

The "consensus" or neo-whig approach of many recent writers does rectify some of the more blatant shortcomings of the Progressive reading of the Revolutionary era. It helps explain, for instance, the achievement of Independence with only minor changes in the structure of society. It avoids as well the contorted explanation of the Progressives, with first the upper classes, then a noble-minded lower class, leading the Revolution. And the neo-whig approach readily incorporates the conclusion of the Imperial School that the Navigation Acts did not constitute a long-standing grievance.

But criticism may be directed at the neo-whigs even more devastating than that levelled at the Progressives. Basically they do not explain what happened. They do not explain, for example, why protests against the important Revenue Acts of 1764 and 1766 were so mild, and why colonists duly complied with these measures down to the eve of Independence. These laws placed a duty on West Indian goods but explicitly declared in their preambles their purpose of raising a revenue to support English placemen in the colonies rather than merely regulating trade. And if neo-whig emphasis on principle and consensus makes plausible the leading role played by certain merchants in the Revolutionary movement, it fails

<sup>13</sup> Bernard Bailyn, *The Origins of American Politics* (New York, 1967); and Wood, "Rhetoric and Reality," *Wm. and Mary Qily.*, 3d Ser., XXIII (1966), 25-32. It is suggested that Bailyn's *The Origins of American Politics* represents a half-step back to the realities of the Progressives and away from the idealist approach offered in his introduction to the *Pamphlets of the American Revolution 1750-1776*, I (Cambridge, Mass., 1965). While Bailyn continues to locate motivation firmly in the realm of ideas, these ideas have their roots in social reality, or in the formal and informal structures that made up the colonial political and economic system. But this social reality is, for Bailyn, one typified by inherent uncertainty and instability, a view which seemingly derives from Parsonian sociology and equilibrium theory. What is interesting about the Bailyn model, however, is that it attempts to incorporate elements behind the instabilities in the life of early America that led to social disequilibrium and ultimately the social breakdown which was the Revolution. For a general discussion of this view of reality see C. Wright Mills, *The Sociological Imagination* (New York, 1959), Chap. 2.

to explain the large tory element among the traders and the subsequent loyalist exodus. The conflicts in the years after 1763 seem either inexplicable or irrelevant as a result. The forward part played by the Northern Neck of Virginia in pushing that colony toward Independence demands an investigation of colonial society far beyond treatises on whig ideologies, just as the presentation of America as a nation of prosperous middle-class farmers overlooks a diversity of sharply differing regional economies. Similarly, the treatment of economic problems in psychological terms can be misleading if done in the context of the most facile economic analysis. At least the Progressives tried to grapple with these economic questions. If they failed to clarify the issue in every case, they nonetheless realized the problems involved.

Finally, the debates between the defenders of the several schools have a fixed and unproductive air about them. As in the case of the interminable disagreement over perennials such as "Was plantation slavery profitable?" attackers and defenders of the Progressive or neo-whig positions concern themselves with equally hoary questions such as "Were the Navigation Acts a burden?" and "Were the ideas of the Revolution radical or conservative?" A new approach is in order.

This discussion of the historiography of the Revolution points up the contributions of earlier interpretations as well as the problems with which any new explanation must deal. The following discussion addresses itself to these considerations and focuses on three broad inter-related developments in the decades preceding 1776. Together, the three, in the light of post-1763 British policies, form the necessary and sufficient conditions for the Revolutionary movement. Two of the developments have received lengthy treatment by other historians and, while an important part of this reinterpretation, will be mentioned only briefly in this paper.

The first of these is the growth of a self-conscious, powerful colonial elite composed of merchants and wealthy landowners in the North, and planters and merchants in the South.<sup>14</sup> At odds with themselves on some issues, on most questions touching local control these colonial elites

<sup>14</sup> See esp. Leonard Woods Labaree, *Conservatism in Early American History* (New York, 1948).



had successfully asserted their autonomy from the crown.<sup>15</sup> Further, the whig elite had developed an ideology, a widely-held set of political and constitutional beliefs, that had been shaped and tested in colonial resistance to British men and measures in the past. This ideology became in turn an important element in later conflicts as a means of uniting and motivating the elite, as well as other members of the colonial middle classes. By the eve of the Revolution, a class or group consciousness that had evolved was essential to the mentality of the whig elite.<sup>16</sup>

The second development was the active and self-conscious involvement of the "lower orders" in the Revolutionary movement. The "mob" had been an element in the volatile mix of colonial politics dating back at least to the early eighteenth century. But the decade or two before Independence saw the "poorer sort" of the city and the less wealthy landowners articulating their own interests and seriously questioning long-held assumptions about society and politics. The "lower orders," to be sure, never gained control in a society that was always dominated by the upper classes. However, the new demands they voiced, and the important role they played in the Revolutionary movement, frightened many of the wealthy. This will be touched on later.<sup>17</sup>

The third development forms the heart of this paper. During the eighteenth century, broad economic changes transformed the Atlantic economy. The impact of these changes on the several colonial regions and classes of people forms a crucial background for an understanding

<sup>15</sup> Much of this story is told in the rise of the popular branches of the several provincial legislatures. See the earlier study of Mary Patterson Clarke, *Parliamentary Privilege in the American Colonies* (New Haven, Conn., 1943); and the more detailed and recent account by Jack P. Greene, *The Quest for Power: The Lower Houses of Assembly in the Southern Royal Colonies, 1689-1776* (Chapel Hill, N. C., 1963). A more theoretical consideration of both the nature and aspirations of the colonial elite is Robert K. Lamb, "Political Elites and the Process of Economic Development," in Bert F. Hoselitz, ed., *The Progress of Underdeveloped Areas* (Chicago, 1952).

<sup>16</sup> For a useful discussion of the problem of ideology as used here, see H. Stuart Hughes, *Consciousness and Society: The Reorientation of European Social Thought 1890-1930* (New York, 1958).

<sup>17</sup> See n. 6 above and Jesse Lemisch, "Jack Tar in the Streets: Merchant Seamen in the Politics of Revolutionary America," *Wm. and Mary Qlty.*, 3d Ser., XXV (1968), 371-407; Lemisch, "Listening to the 'Inarticulate': William Widger's Dream and the Loyalties of American Revolutionary Seamen in British Prisons," *Jour. Soc. Hist.*, III (1969-1970), 1-29; and James H. Hutson, "An Investigation of the Inarticulate: Philadelphia's White Oaks," *Wm. and Mary Qlty.*, 3d Ser., XXVIII (1971), 3-25.

of the Revolution. Only from this vantage does the actual response of the colonists to British measures, from the Currency Act of 1751 to the Tea Act of 1773 and beyond, become intelligible.

The fundamental change affecting the Atlantic economy was that during the period 1720 to 1775 trade grew in two long swings. The areas involved included the British Isles, the slave coast of Africa, the British West Indies, and the American mainland colonies. These swings may be roughly dated 1720 to 1745 and 1745 to 1775. The first wave of growth was gradual, the second marked by an unprecedented expansion. Not all flows of goods took part in these two waves of growth, but the areas and trades included were significant: the export of British manufactures to Africa and the American colonies; the export to the West Indies of slaves from Africa and provisions from the mainland colonies; and the flow of sugar products to Britain. Exceptions to this pattern of growth were exports of tobacco and, in general, shipments from the American colonies to Britain. This rapid expansion after 1745 seems to have been produced by the strong growth of the British economy which was able to transmit significant new purchasing power to its trading partners across the Atlantic.<sup>18</sup>

The impact of this commercial expansion on the American colonies is best considered by regions. There are, of course, several ways in which the North American colonies may be grouped, but with respect to the impact of British export policies a twofold division seems most useful. First are those areas in which the distribution of British goods was handled by an urban center controlled by a strong native merchant com-

<sup>18</sup> The authors' arguments generally follow those presented in Phyllis Deane and W. A. Cole, *British Economic Growth 1688-1959: Trends and Structure* (Cambridge, Eng., 1962), Chaps. 1-3. There are several strong indications that imperial growth from 1745 to 1783 was based primarily on developments in Great Britain and only secondarily on developments overseas. One is the similar growth patterns evidenced by England's commerce with East Asia, Ireland, Africa, the West Indies, and America. Another is the generally adverse movement of terms of trade during periods of expansion. Terms of trade for Britain are presented *ibid.*, while those for North America are derived by the authors. See also K. Berrill, "International Trade and the Rate of Economic Growth," *Economic History Review*, 2d Ser., XII (1959-1960), 351-359; R. B. Sheridan, "The Wealth of Jamaica in the Eighteenth Century," *ibid.*, XVIII (1965), 292-311; Robert Paul Thomas, "The Sugar Colonies of the Old Empire: Profit or Loss for Great Britain?" *ibid.*, XXI (1968), 30-45; and Sheridan, "The Wealth of Jamaica in the Eighteenth Century: A Rejoinder," *ibid.*, 46-61.

munity. Four colonial ports with their respective hinterlands may be singled out in this regard: Boston, New York, Philadelphia, and Charles Town. Baltimore joined this list at the very end of the colonial period. Second, one may delineate that region where the distribution of British goods occurred within a decentralized marketing and credit structure—namely, the broad area of tobacco cultivation that included Virginia and parts of North Carolina and Maryland.<sup>19</sup>

Before examining more closely the economic and political impact of this post-1745 expansion, we must turn briefly to the sources of this study, for the question may well be asked: Is there sufficient evidence to depict short- and long-run economic changes in colonial America? The answer is an unequivocal yes. Indeed, what is surprising given the excellent work being done by scholars on the nineteenth-century United States is the almost complete lack of detailed analysis of the eighteenth-century economy.

Of first importance are the extensive collections of business letters, journals, and diaries that give an excellent day to day picture of colonial economic life. Of the commercial centers, only Baltimore and possibly Charles Town in the late colonial period lack a solid run of documents. For the tobacco colonies, letters and diaries of planters, and letterbooks and ledgers of both British factors and local merchants, offer a solid

<sup>19</sup> Unlike "sectionalism," "regionalism" has not attracted much attention among colonial scholars. And those few who have adopted the regional approach have focused almost entirely on the "formal" or "homogeneous" region—a region defined by "uniformity of characteristics, or homogeneity of content," such as the Tobacco Coast, the Tidewater, the Low Country, and the Wheat Belt. Of another regional concept as used here—the "functional" region, a region identified by an "interdependence of parts," by its economic connections and coherence—students of early America remain largely ignorant. For a general discussion of the problem and a definition of terms, see G. W. S. Robinson, "The Geographical Region: Form and Function," *Scottish Geographical Magazine*, LXIX (1953), 49-57. See also the important use of the concept by James T. Lemon, "Urbanization and the Development of Eighteenth-Century Southeastern Pennsylvania and Adjacent Delaware," *Wm. and Mary Quly.*, 3d Ser., XXIV (1967), 501-542; and William S. Sachs, "Interurban Correspondents and the Development of a National Economy before the Revolution: New York as a Case Study," *New York History*, XXXVI (1955), 320-335. The approach has also been employed by Joseph A. Ernst and H. Roy Merrens in two joint papers, "The View from Philadelphia: An Interdisciplinary Approach to the South Carolina Economy of the Middle Eighteenth Century," Southern Historical Association Meeting, Oct. 31, 1969, Washington, D. C.; and "Southern 'Worlds' in the Atlantic Economy," South Carolina Tricentennial Commission Meeting, Mar. 21, 1970, Columbia, S. C.

basis for an economic study.<sup>20</sup> The exception is North Carolina, for which we have little business correspondence.<sup>21</sup>

In addition to these sources, there is a surprising abundance of quantitative data which allows for a more precise demarcation of short-run changes. Price series for North American and West Indian goods, for instance, are available, or easily derivable, for most of the regional economies.<sup>22</sup> Data for overseas trade is provided by both British customs records and by an examination of the ship movements recorded in most colonial newspapers.<sup>23</sup> Indeed, the newspapers are a virtual mine of in-

<sup>20</sup> For Baltimore the single most important source remains the Letterbook of William Lux, 1763-1768, New-York Historical Society, New York. There are any number of smaller collections of business letters and the like that touch on Baltimore's economic life, virtually all of which have been successfully exploited by Ronald Hoffman in his recent study of Economics, Politics and the Revolution in Maryland (unpubl. Ph.D. diss., University of Wisconsin, 1969). The Charles Town picture is less bleak. Even here, however, the available collections can hardly be compared with materials, either in quantity or quality, available for cities to the north. A major exception to this would be Philip M. Hamer and George C. Rogers, Jr., eds., *The Papers of Henry Laurens*, 2 vols. (Columbia, S. C., 1968- ). The letters covering the Revolutionary period have yet to be published; however, they may be found in the South Carolina Historical Society, Charleston, and in the Historical Society of Pennsylvania, Philadelphia. A further exception would be the Peter Manigault Letterbook, covering the years 1763 to 1776, which is to be published this year by the South Carolina Tricentennial Commission. Interested readers are also referred to the Josiah Smith, Jr., Letterbook for the period just prior to Independence, in the Southern Historical Collection at the University of North Carolina, Chapel Hill. Nor is the Letterbook of William Pollard, a Philadelphia merchant with trade connections in Charles Town, at the Hist. Soc. of Pa., to be overlooked. A sampling of the materials available for Virginia may be found in Joseph A. Ernst, "Genesis of the Currency Act of 1764: Virginia Paper Money and the Protection of British Investments," *Wm. and Mary Qly.*, 3d Ser., XXII (1965), 33-74; and Ernst, "The Robinson Scandal Redivivus: Money, Debts, and Politics in Revolutionary Virginia," *Virginia Magazine of History and Biography*, LXXVII (1969), 146-173. The best reference to the Maryland sources is the Hoffman study cited above.

<sup>21</sup> The best guide to the North Carolina materials is H. Roy Merrens, *Colonial North Carolina in the Eighteenth Century: A Study in Historical Geography* (Chapel Hill, N. C., 1964). But see also Charles Christopher Crittenden, *The Commerce of North Carolina 1763-1789* (New Haven, Conn., 1936).

<sup>22</sup> See, for instance, Anne Bezanson *et al.*, eds., *Prices in Colonial Pennsylvania* (Philadelphia, 1935); Arthur Harrison Cole, *Wholesale Commodity Prices in the United States 1700-1861* (Cambridge, Mass., 1938); and United States, Department of Commerce, Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1957* (Washington, D. C., 1960). It should also be noted that prices current are listed in colonial newspapers and very often in letterbooks.

<sup>23</sup> There are several useful guides to the records on Britain's foreign trade. Most

formation for examining fluctuations in the economy. Changes in merchant credit policy may be observed from a careful study of advertising, while sheriffs' sales and announcements of repossession are important indicators of periods of contraction and expansion.<sup>24</sup> Another valuable and generally unused source is merchants' account books. These make possible not only the calculation of the success of individual firms but also the derivation of the cost and selling price of dry goods. As an example, the chart below presents the changing markup in Philadelphia for linen and cotton checks. Reflected in the figures are the prosperity of the late 1740s, the depression of the first part of the 1750s, the flush times of the early war years, the depression of the 1760s, the recovery during nonimportation in the late 1760s, and the slump of 1772 to 1774.

AVERAGE MARKUP BY PHILADELPHIA IMPORTERS: EIGHT LINEN  
AND COTTON CHECKS, 1747 TO 1774

Year	Per Cent	Year	Per Cent
1747-1749	39	1763-1765	13
1750-1753	29	1766-1768	28
1754-1757	27	1769-1770	42
1758-1759	33	1771-1773	16
1760-1762	16		

Sources: Selling prices in Philadelphia are culled from the daily entries in John Reynell Day Books, 1747-1773; Thomas Biddle Cash Book, 1772-1773; Henry Drinker Day Book, 1773. English prices, freight, and insurance rates are drawn from invoices in the following collections: Reynell Papers, 1747-1761; Wharton Manuscripts, 1754-1760; Richard Waln Invoice Book, 1763-1771; William Pollard Letterbook, 1772-1773. All manuscripts are in Hist. Soc. of Pa. Interpolations in the series for English prices are on the basis of fluctuations in the cost of other fabrics. Final calculations are in sterling, and Philadelphia prices are reduced by the exchange rates presented in Bezanson *et al.*, *Colonial Prices*, 431, as modified by the authors.

These series amount to only a suggestion of the sources available for economic analysis. Wills, inventories, court records—both of the provinces and, later, of the early states and the federal government—and the

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particularly see G. N. Clark, *Guide to English Commercial Statistics 1696-1782* (London, 1938); T. S. Ashton's introduction to Elizabeth Boody Schumpeter, *English Overseas Trade Statistics 1697-1808* (Oxford, 1960); the introduction to the section on overseas trade in B. R. Mitchell and Phyllis Deane, *Abstract of British Historical Statistics* (Cambridge, 1962); and *Historical Statistics of the U. S.*

<sup>24</sup> These sources have been largely ignored by researchers. See, however, William S. Sachs, *The Business Outlook in the Northern Colonies* (unpubl. Ph.D. diss., Columbia University, 1957), 132-133.

various records of local chambers of commerce, poorhouses, insurance offices, and manufacturing establishments offer data of significant value for a detailed study of the colonial economy.

¶The sharp expansion of British commerce during the second long swing (1745-1775) was first felt in the colonial cities with the cessation of hostilities in 1748. British imports surged to record levels, increasing in the northern colonies by a full 40 per cent per capita between 1740 to 1744 and 1750 to 1754. The result, despite some improvement in the markets to which the colonists shipped their produce, was a depression of unprecedented magnitude. Dry goods piled up on shelves; profit margins for the merchants were small or nonexistent. Bankruptcies were common.<sup>25</sup> This was the beginning of a quarter century in which established merchants became increasingly concerned about their survival as a group.

Why, it may be asked, did merchants import such large quantities of goods when the results were so manifestly disastrous, and why did these importations persist at such high levels despite uniform complaints of depressed conditions? To some extent, established merchants were encouraged to take more goods by liberal offers of credit from the English suppliers, who, backed by a burgeoning economy, found that they could deal more generously.<sup>26</sup> But far more important in facilitating this swollen flow of goods were structural changes that threatened wholly to transform the trading communities in the colonial cities. Increasingly, British houses were bypassing the established colonial merchant to promote the sale of dry goods. This period was marked by the growth of vendue or auction sales. These sales had been an integral part of colonial life before 1748, but most often their role had been to aid in the disposal of damaged or outmoded goods rather than to serve as a major wholesale outlet. Now new merchants began importing directly for auctions to sell off large quantities of goods with only fractional profits on each

<sup>25</sup> *Ibid.*, Chap. 2; Arthur L. Jensen, *The Maritime Commerce of Colonial Philadelphia* (Madison, Wis., 1963), 116-117; *Historical Statistics of the U. S.*, 756-757. For economic conditions in Charles Town see the Laurens Papers and the Round Papers, D/DRC. B-26-29, Essex Record Office, Chelmsford, England.

<sup>26</sup> Sachs, *Business Outlook*, 53-61; Jensen, *Maritime Commerce*, 98-101; Elias Bland to John Reynell, July 18, 1748, Richard Hillary to Reynell, Dec. 31, 1748, Reynell Papers. For conditions in England, see T. S. Ashton, *Economic Fluctuations in England 1700-1800* (Oxford, 1959).

[sale.<sup>27</sup>] A careful study of mercantile advertising in Boston indicates that during depressions there was a sharp rise in vendue sales and a parallel decline in the offerings of the established merchants.<sup>28</sup> Not surprisingly, [the larger importers were angered by the new prominence of auctions and undertook campaigns to regulate public sales. Such regulation as was adopted, however, generally proved ineffective.<sup>29</sup>]

[British firms also increasingly entered into direct dealings with shopkeepers and other marginal importers in the urban centers, importers who normally would have bought from one of the established merchants. By the 1760s and 1770s it was not uncommon to find numerous English "agents" in any colonial city drumming up business for their parent firms and seeking liaisons with the smallest shopkeeper along with the largest importer.] A major London house might have as many as one hundred fifty correspondents in a single northern port.<sup>30</sup> This practice of direct dealing riled the established merchants and provoked a stream of angry letters. "I would have you not bee too forward in pushing goods upon people," Philadelphia importer John Kidd wrote to the London house of Neate and Neave. "I shall also take the liberty to inform you that your supplying the shopkeepers at all is more harm than good to you, which I saw long ago but was afraid to mention it for fear you should think it was a sinister view for my own interest. For these merchants that probably might be inclined to correspond with you or at least say nothing to your disadvantage, take the liberty to ridicule you in all companies."<sup>31</sup>

(Nonetheless such complaints counted little when weighed against the desire for profits on the part of the English exporters. Attempts of colo-

<sup>27</sup> Sachs, *Business Outlook*, 253-254. For an understanding of the operation of the vendue in Charles Town, as well as of the connection between depressed local markets for manufactures, vendue sales, and exports to Philadelphia, see Laurens Papers, Roll 2, no. 3, *passim*.

<sup>28</sup> Dave Hutchinson, *A Quantitative Approach to Business Cycles in Massachusetts, 1763-1774* (seminar paper, York University, 1971).

<sup>29</sup> See n. 27 and Benjamin Fuller Letterbook, *passim*, Hist. Soc. of Pa.

<sup>30</sup> See the discussion in Harry D. Berg, "The Organization of Business in Colonial Philadelphia," *Pennsylvania History*, X (1943), 157-166; James and Drinker Letterbook, 1762; William Pollard Letterbook, 1773; Testimony of Barlow Trecothick, Committee on the American Papers, Feb. 11, 1766, Additional Manuscript 33030, foll. 88-90, British Museum, London. Hereafter cited as Add. MS 33030:88-90.

<sup>31</sup> May 31, 1750, John Kidd Letterbook, Hist. Soc. of Pa.

nial legislatures to ease depressed conditions and to aid the merchants were checked by the tight hand the Privy Council and royal governors kept on colonial currency and banking practices.] War proved to be, at least temporarily, more efficacious than any legislation in easing the trading community's plight. The prosperity that accompanied the campaigns of the French and Indian War assuaged the dissatisfaction and anger which had mounted among the merchants during the early 1750s. Good times, however, abruptly came to an end with Britain's victories in 1760 and the shifting of the theater of war.<sup>32</sup>

(By 1763) <sup>after the war</sup> a dark pall of depression hung over the commercial colonies. Creditors scrambled for liquidity, and commercial establishments from the largest British exporters to country storekeepers contracted their affairs. The colonial importers called in debts from shopkeepers and, at the same time, frantically sought to stave off English creditors. "Thus the consumers break the shopkeepers; they break the merchants," John Dickinson wrote, "and the shock must be felt as far as *London*."<sup>33</sup> Seemingly overnight, the hard money spent by the British forces drained back to the mother country.<sup>34</sup> Nor was this the only difficulty faced by the colonial merchants. The curtailment of British spending and the colonial need for bills of exchange drove up the exchange rate; debts collected within the colonies were translated into smaller sums of sterling. Furthermore, American merchants, confronted on the one hand by a debt-strapped countryside, and on the other by overstocked inventories, experienced a virtual disappearance of profits in the sale of imported

<sup>32</sup> Sachs, *Business Outlook*, Chaps. 3-4; Marc Egnal, *Business Cycles in Pennsylvania, 1747 to 1774* (seminar paper, University of Wisconsin, 1968). The construction industry, however, evinced a countercyclical trend during the slump 1760 to 1763.

<sup>33</sup> *The Late Regulations respecting the British Colonies . . .* (Philadelphia, 1765), in Paul Leicester Ford, ed., *The Writings of John Dickinson* (Historical Society of Pennsylvania, *Memoirs*, XIV [Philadelphia, 1895]), 228, 227. See also the general discussions in Harry D. Berg, "Economic Consequences of the French and Indian War for the Philadelphia Merchants," *Pa. Hist.*, XIII (1946), 185-193; and Wilbur C. Plummer, "Consumer Credit in Colonial Philadelphia," *Pennsylvania Magazine of History and Biography*, LXXVI (1942), 385-409.

<sup>34</sup> An Account of the Bullion imported and brought to the Bank from the several colonies in North America . . . [1748-1765], Add. MS 32971:64; Testimony of George Masterman, Comm. on Amer. Papers, Feb. 13, 1766, Add. MS 33030:148-149; James and Drinker Letterbook, 1761-1764, *passim*.



wares.<sup>35</sup> However, neither reports of these conditions nor the difficulty of collecting debts from their colonial correspondents deterred British houses from renewing their former practices. Exports to the commercial provinces climbed sharply in 1764 despite a wave of bankruptcy that brought down some of the largest colonial houses.<sup>36</sup>)

More and more the established merchants spoke of reasserting control over their commercial dealings and over the local economy in general. The strong repugnance voiced by colonial importers for British mercantile practices merged with other grievances to form an inseparable part of the protests against the new parliamentary enactments. The [Currency Act of 1764] is a case in point. The emission of paper money had always been considered by the colonists as having importance far beyond the financing of government expenditures.<sup>37</sup> Bills of tender were often issued by a land bank which provided the money as a rotating mortgage fund, thus facilitating agricultural expansion.<sup>38</sup> In some colonies, such as Maryland, these land bank loans directly provided businessmen with a source of working capital.<sup>39</sup> And, in general, local merchants saw a close link between fluctuations in the visible money supply (chiefly paper money and foreign coin) and American prosperity. While modern analysts may debate the wisdom of the varying colonial monetary practices and proposals, there is no doubt that Britain's constant and jealous supervision of the colonists' currency systems seriously weakened the Americans' ability to control their own economy. The reaction to the Currency Act of 1764 reflected only a new and extreme phase of a long struggle over this aspect of economic sovereignty.<sup>40</sup>

<sup>35</sup> An elaboration of this interpretation of rising exchange rates in the period is to be found in Ernst, "Currency Act of 1764," *Wm. and Mary Quly.*, 3d Ser., XXII (1965), 33-74. See n. 33 above for a detailed discussion on the plight of the merchants, and Sachs, *Business Outlook*, Chap. 4.

<sup>36</sup> Sachs, *Business Outlook*, Chap. 4; Schlesinger, *Colonial Merchants*, 50-60; Andrews, *Boston Merchants and Non-Importation*, 22-32; *Historical Statistics of the U. S.*, 757.

<sup>37</sup> An extensive bibliography concerning paper money is to be found in E. James Ferguson, "Currency Finance: An Interpretation of Colonial Monetary Practices," *Wm. and Mary Quly.*, 3d Ser., X (1953), 153-180.

<sup>38</sup> See Theodore Thayer, "The Land-Bank System in the American Colonies," *Journal of Economic History*, XIII (1953), 145-159.

<sup>39</sup> See Joseph A. Ernst, *Currency in the Era of the American Revolution, 1764-1781* (unpubl. Ph.D. diss., University of Wisconsin, 1962), Chap. 8.

<sup>40</sup> This is the subject of a forthcoming monograph, *The Currency Act of 1764: A Study of the Political Economy of Revolution*, by Joseph A. Ernst, to be pub-

Control over currency and banking was for some in the commercial provinces the "sovereign remedy."<sup>41</sup> But this was not the only stratagem pursued by the beleaguered, larger merchants to rectify structural imbalances in domestic and foreign trade. Testy letters to British houses berating them for crediting shopkeepers, or for shipping unsolicited goods, were a commonplace in the decade before Independence. The attempts of the large importers to regulate the vendues also continued, although the strenuous campaigns met with only partial success. In Massachusetts a move in 1773 to limit business to four licensed auctioneers in each town was vetoed by the Privy Council.<sup>42</sup>

Another recourse for the large merchants was the encouragement of manufactures. Declining profits in the dry goods trade made investment opportunities offered by domestic industries all the more appealing. British regulations had long been ignored, and despite prohibitive legislation, colonial hats, shoes, finished ironware, and furniture competed profitably in North America and the West Indies with English products.<sup>43</sup> Some industries, however, catered to, rather than competed with, Great Britain. These offered the merchant the possibility of directly re-

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lished by the Institute of Early American History and Culture. Despite its New Deal bias and questionable assumptions about the quantity theory of money, Richard A. Lester's *Monetary Experiments: Early American and Recent Scandinavian* (Princeton, N. J., 1939), remains a useful introduction to the earlier struggle over this aspect of economic sovereignty.

<sup>41</sup> This point is discussed in Joseph A. Ernst, "The Currency Act Repeal Movement: A Study in Imperial Politics and Revolutionary Crisis, 1764-1767," *Wm. and Mary Quly.*, 3d Ser., XXV (1968), 177-211.

<sup>42</sup> The public auctions in Pennsylvania seemed almost untouched by the assembly's deliberations. In New York, a 5% tax on vendue sales proved generally ineffective. See Sachs, *Business Outlook*, 253-254; and Jensen, *Maritime Commerce*, 259ff.

<sup>43</sup> For a general discussion of manufacturing in the period, see Sachs, *Business Outlook*, 254-255. An interesting contemporary commentary on the subject is *The Commercial Conduct of the Province of New-York Considered, and The True Interest of that Colony attempted to be shewn In a Letter to The Society of Arts, Agriculture, and Economy* (New York, 1767), Bancroft Collection, England and America, 1766-1767, New York Public Library, New York. On the question of ironware see Arthur C. Bining, *British Regulation of the Colonial Iron Industry* (Philadelphia, 1933). The trade in colonial hats is discussed in *Pennsylvania Chronicle* (Philadelphia), June 29, 1767; and the commerce in shoes and household furniture is mentioned in Lt. Gov. William Stuart to Lord Dartmouth, Dec. 24, 1733, Colonial Office, Class 71, Vol. 3, fol. 71, Public Record Office. Hereafter cited as C. O. 71/3:71; Lord Dartmouth to Stuart, Apr. 6, 1774, C. O. 71/4:118.

ducing his indebtedness to the mother country. Consequently, in the decades before Independence there was a spurt in the production and export to England of such goods as pig and bar iron, alkalines, and whale products. Wine, soap, hemp, and flax were also encouraged, although with poor results.<sup>44</sup> But the relationship of the merchants to domestic manufacturing went beyond questions of straightforward economic interest. Increasingly after the French and Indian War, the colonial importer looked upon the development of domestic industry as an integral part of a program to achieve economic sovereignty to counter the restrictions imposed by membership in the British Empire. "We are clearly of the opinion," wrote one importer in 1764, "that if our trade is obstructed or labors under any objection, it will more affect England than us, as it will put it out of our power to pay for such vast quantities of goods, as we have yearly imported from thence. And what we want more than we can pay for will be made among ourselves."<sup>45</sup> Reasoning in this manner, colonial merchants were willing to encourage native industries, such as the production of woolen and linen cloth, that directly competed with their importations.<sup>46</sup>

Still the encouragement of manufacturing, as important as it might have been in reflecting the outlook of the merchants, absorbed only limited amounts of capital and ultimately made only a small difference in the structure of foreign trade. Control over currency and banking, regulation of vendues, development of manufactures—the stratagems used by the established importers to ameliorate conditions of glutted markets, overcompetition, lack of liquidity, and falling profits—for the most part

<sup>44</sup> On pig and bar iron see Arthur C. Bining, *Pennsylvania Iron Manufacture in the Eighteenth Century* (Pennsylvania Historical Commission, *Publications*, IV [Harrisburg, Pa., 1938]). Otherwise see William S. Sachs and Ari Hoogenboom, *The Enterprising Colonials: Society on the Eve of the Revolution* (Chicago, 1965), 103-106; Sachs, *Business Outlook*, 259-269; and *Historical Statistics of the U. S.*, 762-765, 771.

<sup>45</sup> Richard Waln, Jr., to Nicholas Waln, June 25, 1764, Waln Collection, Box H, Hist. Soc. of Pa.

<sup>46</sup> Certainly this was much in the minds of the New York affiliate of the London-based Society for the Promotion of Arts, Agriculture, and Economy, established in 1764 and revived in 1767 in an effort to encourage by private means the fabrication of cheap linen cloth for local consumption and the employment of the poor. See n. 43 above and *New-York Journal*, Dec. 24, 31, 1767, Jan. 14, 21, 1768; John Reynell to William Henry Reynell, May 15, 1769, Reynell Papers.

proved unsuccessful despite the strong support of merchant communities. Nonetheless, these efforts sooner or later boded conflict with royal authority. The consciousness of a clash of interests made the merchants more aware of the identity of economic and political goals.

One course of action that did offer the larger merchants immediate benefits and tangible relief from depressed conditions—at least in the short run—was the nonimportation of British goods. (Nonimportation permitted the merchants to dispose of their inventories at higher prices and to retrench.)<sup>47</sup> “You will have a good price for all your dead goods which have always been unprofitable,” an anonymous writer reminded his merchant readers in the November 1767 issue of the *Pennsylvania Gazette*. “You will collect your debts and bring your debts in England to a close, so that balances would hereby be brought about in your favor, which without some such method must forever be against you.”<sup>47</sup> Equally important, nonimportation meant the elimination, if only temporarily, of the upstart trader with his smaller stock of goods.<sup>48</sup> Finally, it meant that bills of exchange, the international currency of the eighteenth century, would be cheaper so that debts could be paid to England without a sharp discount.<sup>49</sup> (As a consequence, merchants in the northern colonies adopted nonimportation in 1765 and again in 1768.) In Charles Town’s rice and naval stores economy, local conditions made for somewhat different timing, and there the second boycott was decided upon in 1769.<sup>50</sup>

(In sum, nonimportation was only incidentally designed to compel Parliament to repeal obnoxious legislation. Without understanding the economic background, the timing and the nature of the boycotts is almost inexplicable. The agreements adopted in Boston in 1768

<sup>47</sup> *Pennsylvania Gazette* (Philadelphia), Nov. 17, 1767.

<sup>48</sup> The importers “got rid of their old Shop-Keepers,” one editorialist observed in 1770. *Ibid.*, May 31, 1770. Henry Drinker to Abel James, Apr. 29, 1770, “Effects of the ‘Non-Importation Agreement’ in Philadelphia, 1769-1770,” *Pa. Mag. Hist. Biog.*, XIV (1890), 42; *Pa. Gaz.* (Phila.), Aug. 23, 1770.

<sup>49</sup> This point is discussed more in the forthcoming study of the Currency Act of 1764. See n. 40. Gen. Thomas Gage to William Melish, Dec. 20, 1765, Treasury Papers, Class 1, Vol. 442, fol. 219, Public Record Office; Samuel Coates to Noah Parker, Mar. 17, 1769, Coates Letterbook, Hist. Soc. of Pa.

<sup>50</sup> However inadequate, the best account is still Leila Sellers, *Charleston Business on the Eve of the American Revolution* (Chapel Hill, N. C., 1934), 203-210.

and Charles Town in 1769 were intended to run for no more than a year, even if Parliament took no action whatsoever.<sup>53</sup> Nonimportation was not applied to the West Indian trade until 1774, and the taxes on tropical goods were always paid despite Britain's avowed intention of raising a revenue, rather than regulating commerce, with those duties. American merchants would not curtail their commerce with the Caribbean because in their dealing with the islands they enjoyed persistently favorable balances to pay for British goods.<sup>52</sup>

Nor were the merchants reluctant, at least in private correspondence, to express their reasons for supporting the boycott. John Chew frankly discussed the desire of Philadelphia merchants for nonimportation. In a letter of November 7, 1765, he wrote: "Indeed we are well convinced something of this sort is absolutely necessary at this time from the great much too large importation that has for sometime past been made. There will be no wanted goods for a twelve month."<sup>53</sup> The nonimportation agreements of 1765 and 1766 were short-lived, ending in the jubilation that accompanied the repeal of the Stamp Act. But they had beneficial results, bringing down exchange rates and clearing glutted inventories.<sup>54</sup> By 1767 and 1768, conditions had worsened once more, and importers were beset by the same broad spectrum of problems. Again, merchants turned to nonimportation for motives avowedly economic. "I believe the gentlemen in trade are one and all convinced," Thomas Cushing of Boston observed in 1768, "that it will be to no good purpose for them to import English goods as usual. They despair of ever selling them, and consequently of ever being able to pay for them."<sup>55</sup> His senti-

<sup>51</sup> See Merrill Jensen, *The Founding of a Nation: A History of the American Revolution 1763-1776* (New York, 1968), 283-284, 311, 500-506.

<sup>52</sup> Sachs, *Business Outlook*, 142-164, 170-172, and n. 18 above. James F. Shepherd and Gary M. Walton, "Estimate of 'Invisible' Earnings in the Balance of Payments of the British North American Colonies, 1768-1772," *Jour. Econ. Hist.*, XXIX (1969), 230-263. Walton and Shepherd's figures, however, appear to underestimate the illicit trade from the Caribbean to North America. See *An Estimate of the Tea, Sugar, and Molasses illegally imported . . .*, undated [ca. 1764], Add. MS 38335: 243.

<sup>53</sup> To Samuel Galloway, Nov. 7, 1765, Galloway Papers, Library of Congress.

<sup>54</sup> Sachs, *Business Outlook*, 193-195; Samuel Rhoads, Jr., to Richard Neave & Son, "Extracts from the Letter-Book of Samuel Rhoads, Jr., of Philadelphia," *Pa. Mag. Hist. Biog.*, XIV (1890), 425; exchange rates and dry goods price series for Philadelphia, compiled by the authors, indicate favorable movements during nonimportation.

<sup>55</sup> To Denys DeBerdt, Mar. 4, 1768, quoted in Jensen, *Founding of a Nation*, 271.

ments were echoed by a Philadelphia importer in April 1769: "A time of leisure seems now approaching and the commercial intercourse with Great Britain is inhibited for a season. It is a very general wish amongst the merchants that it may continue at least one year in order that they may dispose of the great quantity of goods on hand, and contract their affairs. This is agreeable to my private interest."<sup>56</sup>

When the majority of the merchants sought to abandon nonimportation in 1770, charges of self-interest filled the press, and rightly so. As far as questions of principle were concerned, the only change occurring in 1770 was the partial repeal of the Townshend duties. There had been no serious revision of restrictive British legislation, and it could well be argued that the tax on tea was as serious an insult to Americans as the tax on painters' colors, glass, and tea. The point remains that merchants had instituted the boycott for reasons other than abstract principle and, having disposed of their inventories, easily separated themselves from the ideologues to resume trade at the end of 1770.

What was lost for the moment on those who railed at the merchants in 1770 was the profound and growing commitment of the colonial importers to the achievement of sovereignty, economic and political. It is in this light that many of the conflicts between the colonists and the British within the third quarter of the century must be viewed. (The struggles over the Currency Act, the Stamp Act, the Revenue Act, and the Townshend Acts in the 1760s reflected a strengthened commitment to economic autonomy and an increased awareness of the close ties between the world of colonial business and imperial politics.)

[Although the nonimportation agreements of 1769 and 1770 significantly ameliorated depressed markets, as had the trade stoppage during 1766, by 1771 commercial centers from Charles Town to Boston were inundated by unprecedented quantities of English goods. The ensuing depression was the last, and perhaps the worst, of the colonial period. The proliferation of small importers, the wholesale dumping of goods by English houses, the sharp rise in vendue sales—all made American

<sup>56</sup> R. Waln, Jr., to Harford & Powell, Apr. 18, 1769, Richard Waln Letterbook. Similar complaints could be heard in the other commercial centers as well. This is discussed in part in Sachs, *Business Outlook*, Chap. 7; and Virginia D. Harrington, *The New York Merchant on the Eve of the Revolution* (New York, 1935), Chap. 8. See also the entries for these years in the Laurens Papers, Roll 2, no. 3; and Philip L. White, ed., *The Beekman Merchantile Papers 1746-1799*, II (New York, 1956).

importers bitter once again. The fitful, angry reaction to the Tea Act of 1773 must be understood in this context. The East India Company's decision to sell directly to American agents was not viewed by the colonists as a chance to buy cheaper tea. Rather, for many colonial traders it was another instance of a British exporter seeking to swell his trade by dealing outside the established channels.<sup>57</sup>

In the swirl of events that followed the "tea parties," the established importers played a crucial role, both in positions of leadership and in the day to day administration of programs adopted by provincial and continental congresses. Such vital, if secretive, actions as securing munitions and finding markets for America's cash crops performed by patriotic merchants made possible the final break from England. Hence, an understanding of the colonial merchants' long-term struggle for economic sovereignty is necessary to explain the nature of the Revolutionary movement in the commercial colonies and the leadership provided by the merchant class after Independence.<sup>58</sup>

Compared to those colonies with developed urban centers, the tobacco growing area—basically Virginia, along with adjacent regions in Maryland and North Carolina—was the more thoroughly penetrated by the British imperial system and the less able to adapt stratagems to counter the threatening developments in the Atlantic economy after 1745. The second long swing of trade from 1745 to 1775 brought to an end a lengthy period marked by a persistently favorable balance of trade with the mother country. After 1745, imports increased dramatically, facilitated by a heavy inflow of British capital.<sup>59</sup>

This inflow of capital was accompanied by far-reaching changes in

<sup>57</sup> A general discussion of the 1772 depression is to be found in Richard B. Sheridan, "The British Credit Crisis of 1772 and the American Colonies," *Jour. Econ. Hist.*, XX (1960), 161-186. For a closer evaluation of events in America, however, see Sachs, *Business Outlook*, 216-223. On the tea question, see Schlesinger, *Colonial Merchants*, Chaps. 6-8; see also, for instance, James and Drinker to Pigou and Booth, Nov. 18, 20, 1773, Henry Drinker Letterbook, Hist. Soc. of Pa.; and On the Tea Trade, Jan. 19, 1773, Wharton MSS. See also Benjamin Woods Labaree, *The Boston Tea Party* (New York, 1964), Chap. 5.

<sup>58</sup> See Jensen, *Founding of a Nation*, 632-633; Marc Egnal, *Society and Politics in Massachusetts, 1774-1778* (unpubl. M.A. thesis, University of Wisconsin, 1967); Harrington, *New York Merchant*, 320-350.

<sup>59</sup> The following analysis is based on the authors' works in progress. But for a more detailed discussion of certain aspects of the problem see Ernst, "Currency Act of 1764," *Wm. and Mary Quly.*, 3d Ser., XXII (1965), 33-74.

the relations between colony and metropolis. The most striking aspect of these changes was the rapid growth of planter indebtedness. There was considerable alarm among colonial Virginians and Marylanders over the growing burden of debt, and Progressive historians such as Isaac Harrell and Schlesinger echoed this concern, seeing in the accumulated indebtedness grounds for revolution.<sup>60</sup> Neo-whig critics, however, have rejected that conclusion as a crude piece of "economic determinism" because there is scant evidence directly linking the debt question to Virginia's Revolutionary movement.<sup>61</sup> But if advocates of the "Planter Indebtedness" thesis failed to make a convincing case, it was only because they did not pursue their argument far enough. A detailing of debts reveals little by itself, for a debt may be either a boon or a disadvantage depending on the structure of the credit system and the dynamics of economic change. It is these latter questions that must be investigated to understand fully the significance of the growing burden of debt.<sup>62</sup>

By the late 1740s, the intimate and relaxed relationship between the large planters and the English consignment merchants (to whom the planters shipped their tobacco to be sold on the English market) was breaking down. Replacing it was a new credit system managed by local factors of the great Glasgow tobacco houses. The distinguishing mark of the new system, whose real development accompanies the second period of imperial economic growth (1745-1775), was the establishment of chains of stores stretching along the great river valleys. These Scottish firms soon dominated the tobacco economy in the Piedmont and made serious inroads into the trade of the older Tidewater areas. The reason for the success of the Glasgow merchants was that they financed their exports to Virginia out of pocket by advancing the Virginians credit to make up trade deficits; the factor at each store bought tobacco, sold dry goods, and extended credit.<sup>63</sup>

<sup>60</sup> Isaac F. Harrell, *Loyalism in Virginia* (Philadelphia, 1926); and Schlesinger, *Colonial Merchants*, 38-39.

<sup>61</sup> See the discussion in Thad W. Tate, "The Coming of the Revolution in Virginia: Britain's Challenge to Virginia's Ruling Class, 1763-1776," *Wm. and Mary Qlty.*, 3d Ser., XIX (1962), 323-343.

<sup>62</sup> See esp. in this regard the exchange between Jackson T. Main and Forrest McDonald, *ibid.*, XVII (1960), 86-110.

<sup>63</sup> See esp. Calvin B. Coulter, Jr., *The Virginia Merchants* (unpubl. Ph.D. diss., Princeton University, 1944); Jacob M. Price, "The Rise of Glasgow in the Ches-



The planters reacted with mixed emotions to the ever-expanding dealings of the Scots factors. On one hand, the credit these storekeepers proffered was the lifeblood of the plantation economy. It allowed the planter to defer payment for European goods and at the same time freed cash for the purchase of land and slaves, the basis of economic expansion and social position. The imperative to enlarge one's holdings remained constant and so did the demand for credit. On the other hand, the power of the Scottish merchants went far beyond these commercial dealings and threatened the planter elite on the most basic levels of political, social, and economic power. As James Madison once expressed it, the "essential legislation" of Virginia was passed by Scots traders at court days in Williamsburg, when they set tobacco prices, fixed exchange rates, and settled accounts.<sup>64</sup> In addition, the Scots challenged the planter elite's power even more directly. First in Whitehall, then in Virginia itself, the Scottish firms and their factors sought to block unfavorable legislation by the planter-dominated House of Burgesses. From 1759 on, for instance, the Scots, together with some of the larger London tobacco houses, persisted in using their influence on both sides of the Atlantic to regulate Virginia's paper money practices in their own interest.<sup>65</sup> Thus members of the planting elite were faced with a dilemma: how to maintain their place in a society that valued social and economic independence without becoming pawns to that "plague of Egyptian locusts," the hated Scots.

Further, the Scottish factors' practice of dealing directly with the myriad of small tobacco producers threatened the sovereignty of the larger planters, who under the consignment system had handled the output of these smaller farmers, including it with their own consignments. A basis of unity was forged between the great planters and the farmers, both of whom now dealt directly with representatives of British capital.<sup>66</sup>

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peake Tobacco Trade, 1707-1775," *Wm. and Mary Quly.*, 3d Ser., XI (1954), 179-199; James H. Soltow, *The Economic Role of Williamsburg* (Charlottesville, Va., 1965), Chap. 2.

<sup>64</sup> Quoted in Fairfax Harrison, *Landmarks of Old Prince William: A Study of Origins in Northern Virginia*, II (Richmond, 1924), 390.

<sup>65</sup> See n. 59.

<sup>66</sup> A different viewpoint is expressed in a recent article by Aubrey C. Land, "Economic Behavior in a Planting Society: The Eighteenth-Century Chesapeake,"

If these institutional shifts accompanying the transformation in the system of credit and trade elicited loud outcries against the Scots as well as imperial authorities, the sudden collapse of credit in 1762 produced even greater strains. [At a time of general financial calamity in Europe, tobacco houses in Scotland and England began to cut back their short-term loans to Virginia and to press for payment of back debts. Meanwhile, the low price for tobacco and the prospect of an end to the French and Indian War, which was expected to lower prices even further, prompted a temporary abatement of tobacco imports. The overall effect was to reduce sharply the amount of credit and foreign exchange available in Virginia at the very moment the demand for sterling remittances was greatest. Many planters now refused to pay debts. General suspension of court proceedings involving debt cases soon followed, and public loans and similar expedients were urged.]

Some of the cures posed were more radical. There was discussion, for instance, of exploiting new markets through the diversification of agriculture, and of encouraging secondary manufactures in items such as flour and bread. In addition, some planters raised anew the possibility of totally reorienting the local economy by accelerating the shift out of tobacco and into foodstuffs through the creation of a highly commercialized urban marketplace. The idea here was to lessen the dependence on resident Scots factors through the establishment of new urban-commercial hubs that would function as Philadelphia did in the North. Such centers were to be kept firmly in the hands of local Virginians. The outcome of these various schemes proved disheartening. Despite discouragements, the planters showed an increasing concern with economic sovereignty. Furthermore, they came to feel that the restriction imposed by Parliament and the credit system of the Scots made changes in this direction unlikely. Economic strains in Virginia fast became an inseparable part of the struggle against the new British postwar policies.<sup>67</sup>

[The economic situation worsened again after 1772 following the collapse of credit for the second time in a decade. The cry of the planters

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*Journal of Southern History*, XXXIII (1967), 469-485. But Land misreads the evidence regarding the credit structure of the Chesapeake region, and especially of Maryland.

<sup>67</sup> The foregoing analysis is based on the authors' work in progress. But for a brief discussion of some aspects of the problem see Ernst, "Robinson Scandal," *Va. Mag. Hist. Biog.*, LXXVIII (1969), 146-173.

caught in a seemingly hopeless web of debt grew more shrill. With significant economic change an unrealized dream, the financial panic of 1772 and 1773 removed lingering hopes of a solution within the existing framework of the imperial system.<sup>68</sup>

Especially in those parts of Virginia, such as the Northern Neck bordering on the Potomac, where progressive planters were already making strenuous efforts to diversify their agriculture and establish commercial relations apart from the ubiquitous Scottish store system, more and more wealthy Virginians became convinced of the need for a radical change in imperial relations and for control of their own economic destiny.<sup>69</sup> Even planters who hoped for moderate reform within the empire were willing to take an active part in the frenzied politics that followed the depression of 1772 and 1773. Planters throughout the tobacco colonies stood shoulder to shoulder in a movement directed in large part against the Scottish mercantile community.<sup>70</sup> It is no surprise to find the planting elite in the forefront of Maryland's and Virginia's Revolutionary struggle. )

If two developments—the long-term growth of the whig elite's self-conscious strength, and second, the increasing awareness of a need for economic sovereignty in the face of the post-1745 spurt in British exports and of new British policies after 1763—called into existence the Revolutionary movement, a third factor, (the involvement of the urban "lower orders" and the smaller farmers, was crucial in determining the nature of this movement.)

The participation of the urban lower classes in the Revolution is a familiar theme; it was, of course, one of the Progressive historians' chief concerns. Most writing has stressed, with some validity, that tradesmen, sailors, and laborers were initially brought into political activity during the 1760s at the behest of the whig elite. The wealthier patriots in the cities, it has been argued, used the colonial "mob" to their own ends, directing its furies against stamp distributors and customs officials. (What we emphasize here in addition is that to a great extent the involvement

<sup>68</sup> See Sheridan, "British Credit Crisis of 1772," *Jour. Econ. Hist.*, XX (1960), 161-186.

<sup>69</sup> Schlesinger, *Colonial Merchants*, 361-368.

<sup>70</sup> See Robert P. Thomson, *The Merchant in Virginia, 1700-1775* (unpubl. Ph.D. diss., University of Wisconsin, 1955).

of these lower classes resulted from their own economic grievances. To begin with, city dwellers were the first to be encouraged to buy with liberal offers of credit, and the first to feel the bitterness of depression and debt contraction. Nor were tradesmen and artisans merely the first to be pressed for payment; they were also frequently the last to be paid in a time of stringency. "The poor industrious tradesmen, the needy mechanic, and all men of narrow circumstance," an observer of events reported to the readers of the *New-York Gazette* in November 1767, were facing "impending ruin." The "money'd men" were holding on to whatever cash came their way, refusing to pay their bills and bankrupting the small tradesman and artisan.<sup>71</sup> Also, during periods of business contraction, sailors and day laborers increasingly found themselves without work.<sup>72</sup> Thus beginning in the 1750s, and later paralleling the merchants' nonimportation movement in the 1760s, the urban lower classes organized and agitated for agreements promoting nonconsumption and domestic manufacturing. Such compacts served both to allow the debt-ridden citizenry to retrench as well as to boost local employment. For some among the urban "lower orders" these agreements marked their initial entry into active political life; for others they offered one additional, important reason for participation in the Revolutionary movement.<sup>73</sup>

As the urban lower classes became more involved in the pursuit of their own interests through such programs as nonconsumption and domestic manufacturing, they also became more vociferous in articulating other demands of their own, demands for the further democratization of colonial society. This new militancy frightened many of the

<sup>71</sup> "Probus to the Printer," in *N.-Y. Jour.*, Nov. 19, 1767; Thomas Clifford to Thomas Penington, June 25, 1768, Clifford Letterbook, Hist. Soc. of Pa.; *Pa. Chron.* (Phila.), Oct. 10, 1768, Mar. 13, 1769; Sachs, *Business Outlook*, 254-256. See also Richard Walsh, *Charleston's Sons of Liberty: A Study of the Artisans 1763-1789* (Columbia, S. C., 1959).

<sup>72</sup> This is a question that has yet to be fully researched. But see the suggestive note in Lemisch, "Jack Tar," *Wm. and Mary Qly.*, 3d Ser., XXV (1968), 397, n. 106. Unfortunately, Lemisch's concern with Revolutionary ideology among the "lower classes" has kept him from seriously investigating the economic conditions of ordinary life. See also Marcus Wilson Jernegan, *Laboring and Dependent Classes in Colonial America 1607-1783* (Chicago, 1931).

<sup>73</sup> Schlesinger, *Colonial Merchants*, 106-115. Emphasizing the "lower orders" involvement in nonconsumption (though in a different interpretative framework) is Jensen, *Founding of a Nation*, Chap. 10.

merchants who now saw the threat of social upheaval. Admittedly, in historical retrospect, there was little change in the structure of society, though some in institutions. But there was ample justification for the fears of the wealthy, as numerous editorialists called for far-reaching changes in the nature of government. The mere airing of these demands was enough to convince many in the upper classes that the Revolution had gone too far and that it was better to bear the burdens of membership in the British Empire than to risk social disruption at home. This lower-class militancy helps explain the existence of important loyalist minorities in each of the port cities. On the other hand, most of the whig elite felt with some prescience that the situation could be kept well under control.<sup>74</sup>

Apart from the area of tobacco cultivation, the protests against Britain centered in the cities. Any recounting of the Revolutionary movement must necessarily focus on these centers and recognize the significance of the urban classes, merchant and laborer alike, which went far beyond the weight of their numbers. Yet, the bulk of the population was composed of farmers, and only with their involvement was war with Britain possible. Most farmers of the northern colonies and of the Appalachian plateau stood outside the Revolutionary movement until 1774. In part, this reflected the pacifism of certain religious sects as well as the difficulty of informing and organizing a population spread out over a large area. More significantly these farmers did not share the economic grievances of either merchants and tradesmen of the coastal cities or of the tobacco growing planters of Virginia and Maryland. The dry goods sector of the economy suffered from chronic depressions after 1745, strapping those who either handled goods or relied directly on British capital. However, those who raised wheat or other provisions experienced generally good times, selling their products to a constantly expanding world market and receiving prices which steadily appreciated in terms of West Indian and English goods. As the value of holdings constantly rose, it was only the improvident, or the heavily mortgaged, husbandman who suffered from the postwar contractions that beset the colonial credit supply and the dry goods sector.<sup>75</sup>

<sup>74</sup> See the recent discussion in Jensen, "The American People," *Jour. Amer. Hist.*, LVII (1970), 5-35.

<sup>75</sup> William S. Sachs, "Agricultural Conditions in the Northern Colonies Before the Revolution," *Jour. Econ. Hist.*, XIII (1953), 274-290. Concerning commodity prices see n. 22 above. The series for English goods were derived by the authors.

After 1774 the small farmer took a more active role in response to the increased presence of British forces and the impassioned pleas of continental and provincial congresses. His loyalty depended on a variety of considerations: the advantages offered by the new state governments, the traditional relationship of the backcountry to the dominant groups on the coast, and often, simply the question of which army was in the neighborhood. In states like Pennsylvania, where Independence was accompanied by a new state constitution giving the backcountry more just apportionment and control over local affairs, the farmers became enthusiastic patriots. In the Carolinas, where the new government, like the old, showed less interest in mollifying backcountry discontent, there were significant tory elements among the small farmers.<sup>76</sup>

One group of agriculturists serviced by an urban center had been active in the Revolutionary movement throughout the decade before Independence: the South Carolina rice and indigo planters. These slaveholders, like the wheat and provision farmers of the North, imported and exported their goods through a city and dealt with a merchant community composed predominantly of native merchants rather than foreign factors. Like northern farmers, rice planters sold to an expanding world market and enjoyed generally rising prices. But South Carolina planters differed in important ways from those who cultivated wheat and provisions, for rice and indigo planting required far greater inputs of capital, chiefly in the form of slaves, than did the production of grain. This means that rice and indigo planters were involved to a greater degree in local money markets than were northern farmers, and hence were more seriously affected by the currency and credit contractions that plagued the South Carolina economy in the 1760s and especially in the 1770s.<sup>77</sup> Also, planters of coastal South Carolina, as men of wealth and stature, had long been active in the struggles with royal

<sup>76</sup> On this matter see the recent speculations of Merrill Jensen, "The American Revolution and American Agriculture," *Agricultural History*, XLIII (1969), 107-124. Noteworthy state studies include Robert J. Taylor, *Western Massachusetts in the Revolution* (Providence, R. I., 1954); and Irving Mark, *Agrarian Conflicts in Colonial New York, 1711-1775* (New York, 1940). See also Egnal, *Society and Politics in Massachusetts, 1774-1778*, Chaps. 1-2.

<sup>77</sup> William Pollard Letterbook, 1774, esp. to Benjamin and John Bower, Jan. 25, 1774.

governors and British policies.<sup>78</sup> This different background helps explain their more active role in the years before 1774.

The upper-class whigs who stood in the forefront of the Revolutionary movement retained their coherence and their momentum after 1776. Independence was no more their ultimate goal than was the repeal of any specific piece of British legislation. The control over the American economy that they sought required a restructuring of government and a comprehensive program of legislation: for those in urban centers, a national banking system and American navigation acts, and for the tobacco planters of the South, the encouragement of national cities. In addition, upper-class whigs showed a continued concern for challenges from the "lower orders." The Constitution of 1789, from the whig elite's viewpoint, was the culmination of the movement for Independence, not its antithesis.

Interpretations of the Revolutionary decades have changed much during the twentieth century. Progressive scholars offered a broad explanation which on closer scrutiny has been found wanting. Lower-class movements and social upheaval may in part characterize the Revolutionary movement; they do not explain it. Since the Second World War, a generation of neo-whig scholars has completely rewritten the history of these years. Ideas rather than social classes, unreasoning fears rather than rational self-interest, have become keynotes of the Revolution. But if the pitfalls of the Progressive approach have been avoided, more glaring shortcomings have appeared. While neo-whig interpretations have shown an increasing concern for the "inner world" of a select group of publicists, they have at the same time shown less concern for the specific events, issues, and interests of the period. The time has come to reassert the essential reasonableness and necessity of the American Revolution in terms of the overall economic situation of the colonies and of the specific interests of the actors. In this way historians may be better able to explain both the ideas and the events that marked the decades of the American Revolution.

<sup>78</sup> See M. Eugene Sirmans, *Colonial South Carolina: A Political History, 1663-1763* (Chapel Hill, N. C., 1966); and Joseph A. Ernst, *Growth of the Commons House of Assembly of South Carolina 1761-1775* (unpubl. M.A. thesis, University of Wisconsin, 1958).