Did Democracy Cause the Recession That Led to the Constitution?

Woody Holton

The supporters of the United States Constitution touted it as, among many other things, the only solution to a terrible economic slump. Nearly all free Americans believed much of the responsibility for the recession of the 1780s lay with the thirteen state legislatures. Yet not everyone was of the same mind about what the assemblies, which controlled debtor-creditor relations, the money supply, and the collection of “Continental” as well as state taxes under the Articles of Confederation (1781–1789), had done wrong. The Federalists believed the lower houses of the legislatures—which in most states were annually elected and essentially omnipotent—had damaged the economy by caving in to taxpayers’ and debtors’ demands for release from their legal obligations. They claimed relief legislation was unjust both to government bondholders (the primary recipients of tax money) and to private creditors—and that it had provoked them to stop supplying the capital and credit that were the lifeblood of the American economy. For them, one of the most attractive features of the proposed Constitution was its abolition of relief.

The best-known opponents of the Constitution concurred in the Federalists’ judgment that the state assemblies had caused, or at least exacerbated, the recession of the 1780s by yielding to grass-roots pressure for tax and debt relief. So have most historians of the Constitution. They say the federal convention that met in Philadelphia in the summer of 1787 paved the way for economic revival by creating a new government that was more responsible than its state-level counterparts because it was less responsive to the public will.¹

Woody Holton is an associate professor at the University of Richmond. He wishes to thank Joyce Appleby, Roger H. Brown, Alex Bushel, Max M. Edling, Deborah S. Govoruhk, Robert A. Gross, Travis Hardy, Adrienne Huckabee, Allan Kulikoff, Lauren Mandel, Richard K. Matthews, Michael A. McDonnell, and William R. VanderKloot, as well as the American Antiquarian Society (especially Marie Lamoureux and Philip J. Lampi), participants in the “Class and Class Struggle in North America and the Atlantic World, 1500–1820” conference (Big Sky, Montana, September 21, 2003), the Connecticut Historical Society (especially Barbara Austen), the Fall Line Early American Society, the John Carter Brown Library (especially Richard J. Ring), the Journal of American History editors and referees, the Massachusetts Archives (especially Jennifer Paussmith), the Massachusetts Historical Society (especially Peter Drummey, Margaret A. Hogan, Megan Rose Milford, and Conrad E. Wright), the National Endowment for the Humanities, the New England Regional Fellowship Consortium, the New Hampshire Division of Archives & Records (especially state archivist Frank C. Mevers), the New Hampshire Historical Society (especially David Smolen and Donna-Belle Garvin), the Newberry Library, participants in an Organization of American Historians session (Memphis, April 4, 2003), the Society of the Cincinnati in the State of Virginia, the South Carolina Department of Archives and History (especially Steven D. Turtell), and the Virginia Foundation for the Humanities.

Readers may contact Holton at <aholton@richmond.edu>.

¹ Richard B. Morris, The Forging of the Union, 1781–1789 (New York, 1987), 133–37; Roger H. Brown, Redeeming the Republic: Federalists, Taxation, and the Origins of the Constitution (Baltimore, 1993). For the view that the economy was healthy in the 1780s, see Forrest McDonald, Novus Ordo Seclorum: The Intellectual Origins of the Constitution (Lawrence, 1985), 143–44.
Yet in the years leading up to the Constitutional Convention, thousands of Americans offered a starkly different analysis. In their view, state-level fiscal and monetary policies were not too lenient, but too harsh. Accordingly, they denied that the only remedy for the downturn was for the states to surrender their most crucial economic responsibilities to a new federal government that would be even less amenable to popular influence. The half decade between the conclusion of the war and the opening of the Constitutional Convention in May 1787 was thus one of those rare periods in American intellectual history when citizens who disagreed with their most illustrious contemporaries left a rich record of their own ideas.

Despite their numerous regional, temperamental, and other differences, nearly all of the fifty-five Constitutional Convention delegates shared a common motive: to rescue the American economy from the clutches of the thirteen state legislatures. Throughout the 1780s, taxes had been delayed, reduced, and made payable in farm produce or depreciated war bonds. In some states, debtors had received permission to pay their debts over a period of years, in others with farm animals, worthless pine barrens, or other property. Worst of all, in 1785 and 1786 alone, seven of the thirteen state legislatures had printed paper money, much of which depreciated, allowing both debtors and taxpayers to pay less than they really owed. Those policies discouraged would-be creditors from lending Americans the investment capital they needed to get the economy moving again.

By the end of 1787, many leading Americans, giving up efforts to kill tax and debt relief at the state level, threw their support to the Constitution, which would make relief illegal. Article I, Section 8, would get the state assemblies out of the business of collecting (or, more accurately, not collecting) federal taxes. It would for the first time empower Congress “to lay and collect taxes, duties, imposts and excises.” Section 10 of the same article would prohibit the states from printing paper money or otherwise “impairing the obligation of contracts”—most notably, contracts between debtors and creditors. To prevent the new national government from following the state assemblies in yielding to pressure for relief legislation, the Framers made it less responsive to citizen influence than any of the state governments, with larger legislative districts and longer terms for officeholders. A law that passed the one popularly elected branch of the new government, the House of Representatives, could still be thwarted by the indirectly chosen Senate, president, or Supreme Court.2

In the early 1790s, the Framers’ faith in the Constitution was largely vindicated. The American economy not only escaped the doldrums of the previous few years but entered a long period of rapid growth (punctuated, to be sure, by occasional collapses). Early in the nineteenth century, production finally returned to pre-Revolutionary War levels. Today hardly anyone questions the assumption that the Framers were able to save the American economy only by transferring jurisdiction over the money supply and federal taxation to a powerful new national government that was less receptive to “popular notions” than any of its state-level counterparts. The immediate postwar era is put on display, alongside such tragedies as slavery and the persecution of ethnic and religious minorities, as an illustration of the perils of the tyranny of the majority. Most historians of the Constitution, echoing Elbridge Gerry’s and Alexander Hamilton’s assertions that postwar Americans

were wallowing in an "excess of democracy," credit the Framers with "redeeming the republic" and even "saving the revolution."

Scholars who embrace the Federalists' analysis of the financial crisis of the 1780s often forget that thousands of Americans wrote pamphlets, newspaper essays, petitions, private letters, and legislative speeches setting forth their own, very different diagnoses and remedies. Although the authors of these alternative analyses heartily concurred in the Framers' claim that the state legislators had wrecked the economy, they did not agree that the assemblies had provided too much relief to debtors and taxpayers. They instead contended that the representatives had driven the nation into recession by conveying too much money, too quickly, from debtors and taxpayers to private creditors and investors in government bonds. That transfer of wealth had in their view depleted capital stocks and, more important, eroded farmers' ability to perform the hard work needed to pull the economy out of recession.

Americans who thus contested the Framers' diagnosis of the nation's economic ills also denied that the only remedy was to shift some of the states' most important duties to a new national government that would be less responsive to popular influence. If those critics were correct, if the state assemblies could have ended the recession simply by conveying less property from debtors and taxpayers to government bondholders and private creditors, then we will need to stop exhibiting the 1780s as evidence that popular rule inherently endangers the economy.

This alternative economic vision should not be confused with any of the diverse ideologies articulated by opponents of the Constitution. Many leading Antifederalists actually endorsed the Framers' analysis of the recession of the 1780s, having joined them in pushing for more rigorous collection of taxes and private debts in hard money (gold and silver coin). All three of the federal convention delegates who refused to sign the Constitution—Elbridge Gerry of Massachusetts and George Mason and Edmund Randolph of Virginia—had expressed (in Mason's words) "a mortal hatred to paper money." Conversely, many Americans who deplored the harsh fiscal and monetary regimes of the...
1780s ended up supporting the Constitution, although it limited popular influence, because they accepted the Federalists’ assurances that the new national government would expand the money supply and cut taxes. For the most part, Americans who believed the route out of recession lay through state-level tax and debt relief went unrepresented in the contest over the Constitution. That undoubtedly diminished the quality of the debate, since many of the issues they highlighted were more fundamental than those raised by the leading Antifederalists.

Americans who accused the state legislatures of adopting excessively harsh fiscal and monetary policies contended that they had victimized not only individuals, but the economy itself. This essay treats those two contentions separately. First it describes the distress many farmers reported in the mid-1780s, the explanations they and their sympathizers offered for it, and the solutions they proposed. In the second section, the focus shifts to the Framers’ claim that tax and debt relief had damaged the economy and needed to be abolished. The third section describes the alternative position that relief was good for the economy. After explicating the contrasting viewpoints—that economic revival required cracking down, or easing up, on debtors and taxpayers—the essay concludes by considering the numerous Americans who did not unambiguously adopt either viewpoint.

Although until recently historians describing the economic origins of the United States Constitution tended to focus on private debt, today more and more scholars contend that the Constitution was also rooted in a struggle between taxpayers and investors in government bonds. Between the Yorktown victory of 1781 and the federal assumption of state debts in 1790, Americans were hit with taxes that averaged three or four times those of the colonial era. The principal purpose of the levies was to pay interest on state and federal government securities, many of them bought up by speculators. In the mid-1780s, most states earmarked at least two-thirds of their tax revenue for foreign and domestic holders of the war bonds. The tax burden was magnified by a shortage of circulating coin. During the struggle against the British, creditors had generally been required to


accept paper money from their debtors, but by the end of the war most assemblies were permitting creditors to demand gold and silver. Numerous petitioners and newspaper writers accused legislators of making the same impossible demand of taxpayers that the Egyptian taskmasters had made of the Israelites: they must “make bricks without straw.” The currency shortage also magnified the burden of private debt. In 1785, four years after the South Carolina assembly voted to require that debts be paid in gold or silver, a newspaper writer who took the name Americanus said he had seen debtors forced to “give up £50” worth of property “to pay £10.” “Who will call this justice?” he asked. Thus what was true of taxation was also true of the money supply: in perhaps the two most important areas of peacetime governmental action, most of the newly independent states adopted harsher policies than the colonial governments they had replaced.

The transfer of property from poor and middling taxpayers and debtors to bondholders and private creditors during the 1780s was an often-overlooked form of expropriation, the crucible that can convert a mass of middling property holders into two new classes: a small propertied group resting astride a throng of proletarians who own nothing. Today the more familiar form of expropriation would involve (to take one example) the wage-paying book chain that offers deep discounts to draw customers away from owner-operated independent bookstores, which then close, allowing the chain to raise prices again. The expropriation of the 1780s was different. It was not impersonal market forces that transmitted property from poor and middling Americans to their social betters. As one writer declared, “our misfortune proceeds from the hands of government.” Karl Marx would later describe this process (which continues today) as primitive accumulation. It appears, however, that few even of the most passionate advocates for fiscal and monetary austerity were deliberately trying to expand the unpropertied class, and most of them eagerly embraced the Constitution, which enriched some free Americans without eliminating the nation’s large class of small proprietors—a feat made possible largely by the expropriation of Indians’ and Africans’ labor.

Taxpayers, debtors, and their supporters proposed numerous remedies for the mid-1780s economic pinch, from tax abatements to legislation allowing farmers to pay their debts in several annual installments instead of all at once. Thousands of petitioners and

---


Democracy and the Recession That Led to the Constitution

Newspaper essayists proposed that every war bond that had been bought by a speculator be redeemed at its market price—roughly the price at which it had changed hands—rather than at the price printed on its face. Those proposals point to a flaw in historians' understanding of early American attitudes toward the market. As numerous scholars have shown, most eighteenth-century American consumers decried the injustice of forestalling, whereby merchants monopolized a commodity in order to create an artificial shortage, driving up the price. For their part, merchants and professionals tended to defend the market price as inherently just. Yet when it came to deciding whether the war bonds should be redeemed at their face value or their market value, the groups switched sides. It was farmers who claimed the market price was the just one and elites who urged the government to ignore the market and impose its own ideas of justice. In short, both sides' views of the market were flexible.

Since many Americans believed the fundamental problem with the economy was the shortage of circulating currency, one of the most popular relief proposals was to issue paper money. Thomas Paine spoke for many critics of paper money when he charged its supporters with scheming to "deprecate it as fast as they can, get a deal of it for a little price, and cheat their creditors"—a charge that is often echoed by historians. While that was precisely what some paper money advocates had in mind, it appears that most acted on more honorable motives. Many wanted the state legislatures to revive the colonial practice of establishing public loan offices where farmers could mortgage their land and obtain loans at a low interest rate (and without becoming dependent upon wealthy neighbors). Most paper money advocates were also trying to ease their tax burden. Recall that the states were levying heavy taxes for the benefit of the bond speculators. If the states paid the bondholders paper instead of hard money, they would not have to extract scarce gold and silver from taxpayers, who could thereby keep their farms. Some writers proposed a more radical step: Bondholders should be forced to exchange their bonds for paper money, which did not pay interest. Campbell County, Virginia, taxpayers petitioned the House of Delegates to print enough currency "for the redemption of the military claims, and all others, that do involve the state with Interest, and consequently accumulate endless Taxes thereon." Historians who depict paper money solely as a panacea for eighteenth-century American consumers decried the injustice of forestalling, whereby merchants monopolized a commodity in order to create an artificial shortage, driving up the price. For their part, merchants and professionals tended to defend the market price as inherently just. Yet when it came to deciding whether the war bonds should be redeemed at their face value or their market value, the groups switched sides. It was farmers who claimed the market price was the just one and elites who urged the government to ignore the market and impose its own ideas of justice. In short, both sides' views of the market were flexible.

Since many Americans believed the fundamental problem with the economy was the shortage of circulating currency, one of the most popular relief proposals was to issue paper money. Thomas Paine spoke for many critics of paper money when he charged its supporters with scheming to "deprecate it as fast as they can, get a deal of it for a little price, and cheat their creditors"—a charge that is often echoed by historians. While that was precisely what some paper money advocates had in mind, it appears that most acted on more honorable motives. Many wanted the state legislatures to revive the colonial practice of establishing public loan offices where farmers could mortgage their land and obtain loans at a low interest rate (and without becoming dependent upon wealthy neighbors). Most paper money advocates were also trying to ease their tax burden. Recall that the states were levying heavy taxes for the benefit of the bond speculators. If the states paid the bondholders paper instead of hard money, they would not have to extract scarce gold and silver from taxpayers, who could thereby keep their farms. Some writers proposed a more radical step: Bondholders should be forced to exchange their bonds for paper money, which did not pay interest. Campbell County, Virginia, taxpayers petitioned the House of Delegates to print enough currency "for the redemption of the military claims, and all others, that do involve the state with Interest, and consequently accumulate endless Taxes thereon." Historians who depict paper money solely as a panacea for...
private debt have contributed to a process whereby Americans have forgotten that the movement for the Constitution, which barred the state governments from emitting paper money, grew partly out of a struggle over how much property the government should convey from taxpayers to bondholders.

Some of the most prominent men in America were appalled by the debt- and tax-abatement measures of the 1780s, and much of the popularity of the Constitution can be traced to its clauses prohibiting state-level relief legislation and transferring responsibility for collecting continental taxes to the federal government. Numerous Federalists concurred in the North Carolina politician William Davie's description of Article I, Section 10, the clause that prohibited the states from granting relief to debtors, as "the best in the Constitution." Why were the Framers so bent on rescuing both public and private creditors from perceived injustice? The answer was simple, Charles A. Beard declared in 1913. Many of the federal convention delegates had themselves lent large sums to private citizens, to Congress, or to one of the state governments (or they had bought up other people's bonds), and they and the other holders of "personalty" wanted their money. The Constitution had an obvious charm for creditors and bondholders. Yet thousands of Americans who did not belong to either of those groups joined them in celebrating the abolition of relief. Why? Today most students of the origins of the Constitution concur in Gordon S. Wood's assessment that the Framers were elitists who saw relief legislation as alarming mostly because it showed that the plebian-dominated state assemblies had departed from virtue—a problem they solved by writing the Constitution, "intrinsically an aristocratic document." Although Wood thus makes a persuasive case that the Framers hated tax and debt relief because they were elitists, it also seems clear that they were elitists (or, more precisely, that their habitual elitism was inflamed) at least in part because they hated relief. They believed the assemblymen's solicitude for taxpayers and debtors had destroyed Americans' collective credit rating.9

---

The scholarly neglect of the desire to attract investment that motivated the Framers to oppose debt relief is surprising in light of the ample historiographical attention devoted to the Constitution's other expected economic benefits. Empowering Congress to bar foreign ships and goods from United States harbors would enable American diplomats to pry foreign (especially British) ports open to American commerce. National taxes would permit the federal government to protect American vessels in the Mediterranean Sea from the Barbary corsairs and western settlers from the Indians. By knocking down tariff barriers among the states, the Constitution would create a vast free-trade zone.10

Yet none of those anticipated economic benefits of the Constitution looms as large in documents from the 1780s as the enticements it was expected to offer investors. Federalists claimed the Constitution would solve most of the problems farmers had spent the 1780s grumbling about, starting with their most vexing concern, the currency shortage. What was "necessary, in order to call forth the specie [gold and silver] that is accumulated and retained by men of affluence," the North Hampton, New Hampshire, minister Benjamin Thurston declared in a December 1786 speech, was for Americans to "renounce all ideas of introducing paper money" or other legislative relief. The moment the well-to-do stopped worrying about assemblymen allowing their debtors to repay them using "old horses," it was widely believed, they would take their gold and silver out of their strong-boxes and put it in circulation. Abolishing relief would even eliminate a great anomaly of the 1780s: Cautious American investors, reversing the natural flow of capital from the Old World to the New, had sent their money to Europe for safekeeping.11

The monetary famine was not the only threat, for European merchants were growing more and more reluctant to ship cargoes to Americans on credit. In a 1786 broadside aimed at dissuading the Virginia assembly from rescuing debtors, the wealthy tobacco grower George Mason contended that "the causes which have deterred foreigners from trading with us" could be found in the "interference of our laws with private property and contracts—In our iniquitous tender laws [which required creditors to accept paper money], and other regulations calculated to defraud creditors." This was not mere rhetoric. Louis Guillaume Otto, comte de Mosley, the French chargé d'affaires in the United

Democracy and the Recession That Led to the Constitution

States, observed in May 1786 that American credit had "considerably suffered by the jolt given to it by several laws prejudicial to foreign creditors." American wholesalers were in turn starting to demand that their own customers, generally retail merchants, pay cash on delivery. They too feared that public officials might someday come between them and their delinquent debtors' property. "There is so little Dependance in Public measures," the Philadelphia merchant Stephen Collins told a London trading partner in April 1786, "that we are Determined to be on our guard." 12

The enemies of relief legislation believed it cast suspicion even on entrepreneurs whose personal credit ratings were impeccable. The Hartford, Connecticut, merchant Peter Colt allowed in June 1787 that "there may [be] punctual dealers in those parts" of northern New England beset by relief legislation and agrarian revolt, but he was "not sufficiently acquainted with them to risk the property in their hands." Even a New Jersey paper money advocate acknowledged in December 1785 that the reason it was "next to an impossibility for an honest man . . . to procure money on interest" was that earlier, ill-advised relief legislation had led wealthy people to clutch their cash. 13

The form of relief that was most vehemently condemned for drying up cash loans and commercial credit was paper money. "What Man of Sense would risk his Money, and have his Gold metamorphosed into old Rags?" a Rhode Islander asked as his state pondered an emission. Yet it was not only legislation that provoked moneyed men and women both at home and abroad to deny Americans credit. As a Maryland senator pointed out early in 1787, it was also the infamous "delays and difficulties, which the lenders experience when compelled to have recourse to law, to enforce the payment." The courts in the southern states were especially slow. 14

The ban on debtor relief inscribed in the Constitution was widely celebrated during the ratification debate—for instance, by all three authors of the Federalist Papers. Under the Articles of Confederation, John Jay claimed, "Scarcely any man can borrow of his neighbor." Barely a month before the federal convention opened, Alexander Hamilton


told the New York assembly one of “the ill effects of the legislature interfering in private contracts” was the danger “that it would destroy all credit.” In the last of the *Federalist Papers*, Hamilton praised Article I, Section 10, for its “precautions against the repetition of those practices on the part of the State governments which have undermined the foundations of property and credit.”

Even James Madison, the man most closely associated in the historical literature with the notion of republican virtue, shared in the general yearning to reopen the credit valve. Madison was convinced that abolishing debt and tax relief would not only end the recession but kindle rapid growth—a matter that for him was intensely personal. In the spring of 1787, the thirty-six-year-old Virginian still lived at Montpelier, his father’s estate in Orange County, Virginia. Eager to acquire the wealth that would allow him to live both comfortably and apart from his parents, Madison had recently joined another young Virginian, James Monroe, in a land venture that had foundered for reasons other than the quality of the soil. On the advice of George Washington, who knew something about land speculation, the two “made a small purchase” on the Mohawk River in New York State. Madison explained to his friend Thomas Jefferson in August 1786 that “nothing but the difficulty of raising a sufficient sum restrained us from making a larger” purchase. The young entrepreneurs had run up against one of the direst economic evils of the 1780s: wealthy Americans’ growing reluctance to lend to their fellow citizens. It occurred to Madison and Monroe that Jefferson, who was then the American envoy to France, might have better luck “raising a sufficient sum” in Europe. Assuring Jefferson there was “prospect of advantage to your self as well as to us,” Madison invited him to become a partner. This involved Jefferson’s “borrowing say, four or five thousand louis” d’or—oh, and putting up his own considerable wealth as collateral. Madison reminded Jefferson that “scarce an instance has happened in which purchases of new lands of good quality and in good situations have not well rewarded the adventurers.”

Jefferson had once been an avid land speculator, but Madison’s scheme held no appeal for him. He warned his young friend that the “Monied men” of Europe would be no likelier than their American counterparts to invest in his project. Jefferson had recently tried to interest wealthy Parisians in a similar loan request from George Washington’s Potomac River canal company. But who would lend to the canal builders when they could earn the same interest rate on French government bonds, on which interest was paid “with a religious punctuality”? Indeed, Jefferson could understand their reluctance. If a Parisian lent a large sum to Madison and the two of them ever landed in a Virginia court, the judges’ “habitual protection of the debtor would be against” the investor, Jefferson said. Historians have long debated whether the Framers of the Constitution adopted it in order to line their own pockets. Madison did have a personal stake in governmental reform, but he was not one of the securities speculators or merchant creditors to whom Charles Beard famously attributed the movement for the Constitution. Rather, he recognized that his ability to borrow money greatly depended on the willingness of American legislators and

---


judges to enforce the collection of earlier loans. As Madison traveled to Philadelphia for the federal convention, one of the fundamental rights for which he was contending was the right to be successfully sued.17

Like other Framers, Madison was convinced that cracking down on delinquent debtors would, ironically enough, solve many of the problems the sponsors of debtor relief complained about. Were the “lessons which the mercantile interest of Europe have received from late experience” starting to “check their propensity to credit us beyond our resources”? Well then, “the true mode” of “bringing in specie is to enforce Justice.” Many Americans would have been perfectly content to end the recession, but Madison was thinking big. Under the Articles of Confederation, he declared in “Federalist, no. 62,” “no great improvement or laudable enterprise can go forward,” because the “want of confidence in the public councils damps every useful undertaking.” If that confidence could be restored, if ambitious men such as Madison could obtain the loans they needed to buy land, expand their trade networks, and develop manufacturing enterprises, they would set in motion a commercial revival that would shower its bounty on even the poorest tenant.18

Madison endorsed the widely shared belief that one of the greatest obstacles to attracting investment was paper money. Although historians are correct to emphasize Madison’s fear that state-issued paper money would “disgrace Republican Govts. in the eyes of mankind,” the intensity of his aversion to currency emissions can also be traced to his concern about the message they sent prospective investors. In Madison’s view paper money always ended up “destroying that confidence between man & man, by which [the] resources of one may be commanded by another.”19

The authors of the Federalist Papers were not the only advocates for the Constitution who believed it would recruit capital and thereby revive the economy. In November 1787, A True Friend reminded his fellow Virginians that under British rule, “We could pass no act tending to hurt, or annihilate the rights and interests of British creditors; consequently they did not fear to advance considerable sums. . . . Those services and advances, though so dearly bought, were however indispensable.” But now Virginians were “deprived of the assistance, advances and credit, which the metropolis, used to sell us so dear, and which all nations would be so eager to offer us were they to. . . find in America, the punctuality and security, which alone gain credit and support confidence.” What stood in the way of restoring Americans’ collective credit rating? “As long as the law will subsist in Virginia that the creditor cannot seize, lay attachment and sell the land of his debtor, at the epoch the debt fall due, it is as [if] we had nothing” to mortgage, he said, and “as long as it will be by the tediousness of the courts of justice almost impossible to force the debtor, we shall not find money lenders.” Other Virginia Federalists offered similar visions of the Consti-

---


tution's ability to attract investment from overseas. Meanwhile their counterparts in Massachusetts were making a slightly different case, asserting that their own state abounded in private reserves of gold and silver that would be lent out as soon as relief was abolished. "You may as well expect to turn a stream up hill, as to try to hire a Dollar of our rich men, so long as the Government remains in its present deplorable situation," one Massachusetts Federalist declared in October 1787. Ratification would give "the wealthy" confidence "in the honour and justice of the government," another Bay State writer declared a month later. It would be the signal for the well-to-do to begin "loaning the surplus of their riches upon reasonable terms." Predictions like these echoed through other states as well.

Once the Constitution was ratified, Federalists said, the well-to-do would not only lend money to individuals but also invest in internal improvements, especially canals. "Much may be done to improve our inland navigation and facilitate our intercourse with each other," David Ramsay declared shortly after his home state of South Carolina ratified. Yet "while legislative assemblies claimed and exercised the right of making ex post facto laws" (which released debtors from prior contracts), he demanded, "who would expend his capital on any project of this kind?" During the 1780s, Americans had made little headway in digging canals around the falls of the Potomac River, between the Sanlee and Cooper rivers in South Carolina, or anywhere else, owing partly to the skittishness of potential investors. That was about to change. "Under the stability and energy which our new constitution promises, methinks I see the rivers of these states wedded to each other" and the "western country attached to the sea-coast," Ramsay declared.

Although Federalists saw abolishing debtor-relief legislation as the most effective way to stimulate the economy, they also emphasized the need to enforce the tax code. Madison contended that "the relaxation in collecting the taxes" in his home state had had the unintended—and deleterious—consequence of "diverting the money from the public Treasury to the shops of merchandize." Lax enforcement allowed Virginia farmers to take the gold and silver they would otherwise have handed the tax collector and use it to buy European goods. Shopkeepers then sent these coins "out of the Country to balance the increased consumption," leaving the state bereft of circulating cash. "A vigorous and


steady collection of taxes would make the money necessary here," Madison told Thomas Jefferson in March 1786, "and would therefore be a mean[s] of keeping it here." If Virginia sheriffs were to extract every shilling delinquent taxpayers had withheld, they would expand the money supply in another way as well, Madison said. They would enable the state treasurer to pay bond speculators their interest in hard money. Regular interest payments would raise the market value of the bonds. Once every war bond traded at par with a coin of the same nominal value, the bonds would become a useful addition to the circulating currency. Monitor, a New Jersey essayist, noted in a May 1786 essay that in Britain, "The yearly interest on all their national debt is punctually paid—hence arises a confidence in the principal that gives it a value in the opinion of every one, equal to gold, altho' it is no more than paper."22

Robert Morris, the superintendent of federal finance under the Articles of Confederation, explained to Congress that more aggressive tax collection would also promote economic development—and ultimately lighten farmers' fiscal burdens—in another and still more controversial way. By transferring wealth from taxpayers to men who had purchased government bonds "at a considerable discount," the federal taxes that Morris proposed in 1782 would furnish the bondholders with "those funds which are necessary to the full exercise of their skill and industry." Since federal taxes were a way of "distributing property into those hands which could render it most productive," the benefits of Morris's plan would eventually—the anachronistic term seems unavoidable—trickle down to ordinary free Americans. An anonymous Virginia writer anticipated the same salutary result from ending debtor relief. On July 4, 1787, Amicus urged the Virginia House of Delegates to crack down on delinquent debtors in order to "put the property into the hands of those who would manage it better." It was "much to the advantage of a community, for the property to be in the hands of those who will best improve it, and set the most useful examples," Amicus said.23

Americans who favored more vigorous enforcement action against delinquent debtors and taxpayers argued that it would have a beneficial effect not only on potential investors but also on ordinary farmers and their families. Since smallholders worked only under the compulsion of dire necessity, debt and tax relief had taken away their incentive
to work hard. Early in 1787 a Marylander contended that the “lax principle in our laws, and the administration of justice, had greatly tended . . . to relax the natural springs of industry.” In neighboring Virginia, Edmund Pendleton reached the ironic conclusion in a December 1786 letter to James Madison that “accelerating the Administration of Justice” would actually relieve “the present distresses of the Country.” How? By “producing Industry & Economy.” Taxpayers would also ultimately benefit from being required to work more and spend less. “To neglect taxation,” one opponent of fiscal relief declared, “would produce a famine,” since it “would relax the spirit of industry and economy, and thereby bring poverty and want.” Robert Morris agreed. “When it is considered how much men are disposed to indolence and profusion, it will appear that . . . it would be wise to carry taxation to a certain amount,” he told Congress in 1782. Since taxes “stimulate industry to provide the means of payment,” he said, taxation “increases the Wealth of the Community.”

Most historians of the Constitution endorse the Framers’ analysis of the economic and political crises of the 1780s. Edmund S. Morgan of Yale University denounces the “legislative tyranny” of the period. Gordon S. Wood of Brown University writes that “paper money acts, stay laws, and other forms of debtor relief legislation hurt various creditor groups in the society and violated individual property rights.” Bernard Bailyn of Harvard University asserts that by the time James Madison defended the Constitution in the Federalist Papers, “he had observed the evil effects of legislative majorities within some of the states over the previous five years. Again and again minority property rights had been overwhelmed by populist majorities.” Scholars who do not explicitly endorse the Framers’ analysis of the crisis of the 1780s accord it tacit support by not explicating any other. Yet during the founding era, numerous Americans differed with the Framers about both the causes of the economic ills of the 1780s and the remedies. Unlike Charles Beard and the “neo-Progressive” historians such as Merrill Jensen, nearly every freeman who lived through the 1780s agreed that the economy was in trouble during the postwar years and that the state assemblies deserved much of the blame. Yet many Americans dissented from the Framers’ conviction that the legislators’ error had been to grant debtors and taxpayers too much relief. They were happy to acknowledge that the nation needed a currency, investment capital, and the labor of American farmers, but they contended that prospects would brighten in all three sectors if the legislatures would only adopt more, not less, tax and debt relief.


The opponents of the record-high taxes of the 1780s rejected the claim that rigorous tax collection would expand the money supply. Indeed, they considered heavy taxation the chief culprit in draining the countryside of its gold and silver. They described a process whereby coins were collected from taxpayers and turned over to bondholders, who then shipped them to Britain in exchange for manufactured goods. In Virginia in fall 1787, a newspaper writer named Plain Reason blamed the “decay of specie in this country” on “the consumption of the greater part” of it “by the non-productive speculators, in European articles.” Even James Swan, himself a Boston merchant and bond speculator, believed that “every public contribution [tax] in money, forms the means of a greater exportation of it, which the government facilitates by enforcing the collection.” Thus while Americans who sought tax relief in the 1780s seconded their opponents’ claim that the excessive consumption of European manufactures had led to a hard-money famine, they did not agree that conveying money from taxpayers to bondholders would reduce importations and staunch the drain of specie. In fact they predicted the opposite result.

Bond speculation also damaged the economy, some argued, by luring away capital that might otherwise have been invested productively. Plain Reason claimed that in Virginia “a great proportion of the specie” was “circulating in the traffic of military certificates,” soaking up “funds, that would have gone to improve a farm, and increase the wealth of the state.” Since “nobody will, if he can avoid it, otherwise employ his money,” Plain Reason contended, bond speculation was a major reason for “the languid state of agriculture.” In September 1786 a farmers’ convention in Worcester County, Massachusetts, demanded fiscal reforms that would “induce the man of wealth to deposit that wealth in the lands and products of his country, rather than in speculations of public securities.”

No one articulated the allegation that bond speculation siphoned capital away from such productive uses as agriculture, manufacturing, and trade with greater force than John Adams, who spent most of the 1780s as an American diplomat in Europe. “While...
Massachusetts “Consolidated Note” in the amount of £25.4.9. Issued to W[illia]m Farnsworth, January 1, 1782. These Massachusetts state bonds depreciated to roughly one-third of their face value and attracted bond speculators such as Abigail Adams. Courtesy American Antiquarian Society, Worcester, Massachusetts.

a Bit of Paper can be bought for five shillings that is worth twenty,” Adams told Jefferson in a July 1786 letter, “all Capitals will be employed in that Trade, for it is certain there is no other that will yield four hundred Per Cent Profit, clear of Charges and Risques.” It was only by putting a stop to bond speculation that Americans could redirect capital to the export trade, Adams wrote. “As soon as this lucrative Commerce shall cease We shall see American Capitals employed in sending all where it will find a Market, that is all over Europe.”

Adams knew whereof he spoke, for he had himself been unable to resist the temptation to speculate in depreciated government bonds—or rather he had acquiesced in the speculative activities of his wife, Abigail. Abigail Adams, who had remained in Massachusetts when her husband sailed for Europe, first invested “in the publick funds” during the summer of 1777. Six years later, in January 1784, she responded to John’s directive to purchase real estate by writing, “There is a method of laying out money to more advantage than by the purchase of land’s,” namely, “in State Notes.” She offered the example of her uncle Cotton Tufts, who had “sold a Farm with a design of vesting it” in depreciated government bonds. The following fall, having joined her husband in Europe, Abigail intensified her campaign to persuade him to invest in bonds rather than farmland. On September 5, 1784, John Adams wrote Tufts (who oversaw the Adamses’ American holdings after Abigail’s departure for Europe), instructing him to purchase a farm from a neighbor

Receipt from Abigail Adams for U.S. Treasury bonds, August 21, 1792. Receipt to Nathaniel Appleton, commissioner of loans in Massachusetts, signed by Cotton Tufts as Adams’s trustee. By 1786, when John Adams denounced bond speculators as “Jews and Judaizing Christians” whose operations diverted capital from more productive investments, his wife, Abigail, had persuaded him to speculate himself. She also speculated on her own account: her trustee signed this receipt when the federal government “funded” (refinanced) her Massachusetts state bonds. (John Adams to Thomas Jefferson, June 6, 1786, in The Papers of Thomas Jefferson, ed. Julian P. Boyd [31 vols., Princeton, 1950-], IX, 612.) Receipt is from the Jeremiah Colburn autograph collection, vol. VII, p. 243. Courtesy Bostonian Society, on deposit with the Massachusetts Historical Society.

named Vesey. Three days later, Abigail wrote Tufts discouraging the purchase. In April 1785 John began a note to Tufts by repeating the instruction to buy the farm. Later in the same letter, however, Adams wrote, “Shewing what I had written to Madam she has made me sick of purchasing Vesey’s Place. Instead of that therefore you may draw upon me, for two hundred Pounds at as good an Exchange as you can obtain and lay it out in such Notes as you judge most for my Interest.”

Abigail Adams also played the bond market on her own. Two and a half weeks after talking her husband out of buying “Vesey’s Place,” she sent Tufts instructions regarding a sum of “money which I call mine”—funds over which John had apparently granted her discretion (although legally all of the family’s property belonged to him). “I wish you to purchase the most advantageous Bills and keep them by themselves,” she wrote Tufts. “If hereafter I should be able to add to it, I may establish a little fund for my pensioners.” (Adams’s “pensioners” were apparently the poor neighbors and relatives, especially widows, to whom she occasionally sent firewood and other aid.) Two years later, on July 4, 1787, Abigail sought to shift the family portfolio even more heavily out of real es-

29 Abigail Adams to John Adams, June 1, 1777, in Adams Family Correspondence, ed. Lyman H. Butterfield et al. (6 vols., Cambridge, Mass., 1963-), II, 251; Abigail Adams to John Adams, Sept. 29, 1778, ibid., III, 95; Abigail Adams to John Adams, Jan. 3, 1784, ibid., V, 292; John Adams to Cotton Tufts, Sept. 5, 1784, April 24, 1785, ibid., V, 455, VI, 88, 90; Abigail Adams to Tufts, Sept. 8, 1784, ibid., V, 458.
tate; she proposed “selling our House in Boston & investing the money in [government] Notes.”

Eventually Abigail and John Adams would purchase war bonds with a face value of about eight thousand dollars. As Tufts pointed out in a May 1787 letter to Abigail, John’s securities yielded him an annual return of about 15 percent—more than double the 6 percent Tufts was able to obtain for him on his rental properties. The windfall that Vice President Adams received in 1790, when Congress funded the state and federal debts, was greater than the “four hundred Per Cent Profit” he had decried in his July 1786 letter to Jefferson. Adams’s anxiety about the extent to which bond speculators like himself diverted capital out of agriculture, manufacturing, and trade was widely shared. And it was not only capital that speculation lured away from socially useful enterprises; it was also people. Even the Virginia congressman Henry Lee, no stranger to bond speculation, professed disgust that “all orders” of Americans had chosen “to relinquish every profession and place their attention to jobbing in paper securities.”

In 1790 Congress would adopt Hamilton’s proposal for eliminating government bonds as an “object of... speculation.” It would levy sufficient taxes to pay regular interest on the bonds, raising their market price to parity with their face value. During the 1780s, however, many Americans had favored scaling the bonds down or redeeming them with paper money, measures that would not only take the profit out of bond speculation but also have another, profounder, effect, they argued. Relieving the plight of both taxpayers and debtors would restore their ability to realize their productive potential. They believed the state legislatures had imposed fiscal and monetary regimes so harsh as to reduce American farmers’ harvests, for instance, forcing debtors and taxpayers to give up their tools and livestock. To “distress the labouring Part, and take their Implements of Labour, their Horses, Oxen, &c. to stab ourselves to the very Heart,” the Pennsylvanian Herman Husband declared in 1782. When the sheriff led away a plowman’s only ox, men such as Husband claimed, the whole economy suffered. A New Jersey who took the name Willing to Learn declared at the end of 1785 that if the government were to intervene—say, by printing paper money—farmers would be able to “save their estates” and remain “useful members of the community.”

As important as livestock and tools were to the labor process, the most crucial element was the farmer himself, and many contended that aggressive tax and debt collection often

---

prevented rural Americans from working. So scarce was money in the New Jersey countryside, Willing to Learn claimed in 1786, that artisans spent nearly as much time dunning their customers as they did laboring at their benches. If paper money were printed, the artisan could easily settle old scores and get back to work. William Manning, a Billerica, Massachusetts, farmer and tavern keeper, said the scarcity of money forced debtors “to spend a vast deal of time and money in settling their affairs and quieting their creditors.” A Rhode Island writer identified a different way the currency shortage wasted time. Artisans often had to receive their wages in commodities such as tea and salt. Thus “a labourer after his day’s work is done, must spend another in bartering away his tea or salt, into three or four articles more suitable.”

Still more work hours were squandered when the debt- or tax-collection process ended in court. “The waste of time attending law suits . . . oppress[es] industry,” A Husbandman told readers of the Maryland Journal on June 6, 1786. Even if an American faithfully paid his debts and taxes and managed to collect from his own debtors, he could still be dragged into a time-consuming legal process as a witness or juror. In fall 1786, more than one hundred petitioners from Orange County, South Carolina, told the assembly they were worried that “in the present distressed and impoverished State of the County of Orange,” a recently passed law establishing county courts would be “a very great Grievance, by obliging them to serve almost continually in the Grand and Pettit Juries.” Willing to Learn argued that if the New Jersey legislature were to print paper money, “jurors need not be obliged to attend two or three weeks as they have been of late.” “If we should value the time” of everyone involved in the typical debt suit, he said, “perhaps it would amount to a larger sum than what is due.”

The most dramatic way to stop a debtor or taxpayer from working was to imprison him. When debtors were “thrown into Gaols,” the town of Cumberland, Rhode Island, pointed out in February 1786, it was not only “their families” that were “deprived of the advantages of their labors,” but the whole “society.” Petitioners in Sanbornton, New Hampshire, claimed that “People of all Ranks, & Conditions, are Su[ed & money Put into Prison all of which tends to Impoverish Individuals, & Consequently the State in General.” The Massachusetts supreme court justice William Whiting wished imprisoned debtors could be “at home Employed about their ordinary business,” in which case they “would be benneficial to the Community at Large.”

---

33 A Fellow Citizen/Willing to Learn [Abraham Clark?], The True Policy of New-jersey, Defined; or, Our Great Strength Led to Exertion, in the Improvement of Agriculture & Manufactures, By Altering the Mode of Taxation, and by the Emission of Money on Loan. . . . (Elizabeth-Town, N.J., 1786), 22; Manning, “Some Proposals for Making Restitution to the Original Creditors of Government,” 105; “A Friend to the Public,” Newport Mercury, Feb. 27, 1786. See also “Tradesmen and Labourers of the Town of Portsmouth,” petition to the Senate and House of Representatives, 1786 (5), Legislative Petitions (New Hampshire Division of Archives and Records).

34 “A Husbandman,” Maryland Journal and Baltimore Advertiser, June 6, 1786; Orange County citizens, petition, Nov. 17, 1786, no. 56 (South Carolina Department of Archives and History, Columbia); “Willing to Learn” [Abraham Clark?], Elizabeth Town Political Intelligencer and New-Jersey Advertiser, Dec. 14, 1785; Fellow Citizen/Willing to Learn [Abraham Clark?], True Policy of New-jersey, Defined, 12.

Thus fiscal and monetary austerity reduced farmers’ output by robbing them of both their tools and their time. These problems, themselves grave, also wrought secondary damage that was even more harmful to the nation’s productive capacity, many Americans believed. If farmers’ distress was not alleviated, they said, word would get back to Europe, discouraging would-be immigrants from crossing the Atlantic Ocean. A Maryland paper money supporter asserted in spring 1785 that “foreigners will not be encouraged to emigrate, and settle among us, should they once be informed and persuaded that we are very deficient [i]n our quantum of circulating cash.” Sometimes anxieties about the threat to immigration were accompanied by an even darker fear: that some current inhabitants might decide to escape to other parts of the United States. The most dire warnings about emigration were sounded in New England. Leonidas declared in a March 1787 essay that he feared that only a reduction of Connecticut’s “heavy Poll-Tax” could dissuade “the poorer classes, who are always labourers,” from pulling up stakes and heading west.

One of the relief advocates’ most extraordinary claims was that the transfer of wealth from debtors and taxpayers to creditors and bondholders had stymied farmers’ productive capacity by breaking their spirits. When the friends of fiscal and monetary austerity asserted that farmers and artisans needed to be prodded to work harder, their opponents replied that Americans’ “dissipation” was actually “a natural and unfailing consequence of despair”—a “dead weight which lies on their spirits,” as Publick Faith, a western Massachusetts writer, put it at the end of January 1786. “Many people . . . appear to be sinking into despondency,” the editors of the western Massachusetts Hampshire Herald observed on September 7, 1784. Everywhere, they said, “you may see the sad face of desperation.”

During the 1780s a remarkable number of petitioners and essayists described themselves or other Americans using variants of the word “discouraged.” For instance, A Citizen of Connecticut said the currency shortage “discourage[d]” farmers “from making any attempts towards extricating themselves; who otherwise would act with spirit and vigor.”

the Several Towns in the County of Hampshire, from the Body Now at Arms,” Dec. 7, 1786, Richmond Virginia Independent Chronicle, Feb. 7, 1787 (reprinted from the Dec. 27, 1786, Northampton Hampshire Gazette); Worchester County imprisoned debtors, petition, 1786 House of Representatives Petitions 2034 (Massachusetts State Archives).


South Carolina paper currency. A £100,000 paper emission was authorized by the state legislature in October 1785 and lent to individuals the following spring. Seven states printed currency between the conclusion of the Revolutionary War in 1783 and the ratification of the Constitution (which banned state-issued paper money) in 1788. Courtesy South Carolina Department of Archives and History.

Several pro-relief writers claimed that despondency had a physical effect on farmers' bodies, disabling them from performing the labor on which the entire American economy depended. Publick Faith said heavy taxation had driven farmers into “torpid despair, which congeals their blood and stiffens every nerve.” The following August, Plain Reason told his fellow Virginians he knew they were “bowed down and dispirited by the weight of your taxes.” In Maryland A Husbandman claimed, “The labour necessary to increase our crops, greatly depends upon peace of mind, and pleasant prospects of the effects of our labour; for who has not been sensible of more strength, when cheerful, than when sad? Whatever therefore promises cheerfulness, increases industry.”

Writers who worried about the psychological impact of aggressive debt and tax collection often asserted that when farmers became too dispirited to work at their full capacity, the whole economy suffered. A group of Delaware petitioners described themselves as “disabled, dispiritted and cast down, bereft of our Peace and Tranquility . . . incapable of doing any farther good, for Ourselves, Families, or Country.” Even some Americans who wanted to extract more money from debtors and taxpayers acknowledged that taking too much could diminish their productivity. The Massachusetts legislature approved an unprecedented levy in March 1786 but decided against imposing an even higher tax on farmers out of fear that “increasing the demands might rather tend to dishearten them, and to lessen those exertions, which were, in fact, within their power.”


** Sussex County citizens, petition, Jan.–Feb. 1787 legislative petitions (frames 341–43, reel 8), Record Group 1111 (Delaware Public Archives); Delaware citizens, petition, May–June 1786 legislative petitions (frame 448, reel 7), ibid.; “Proceedings of the General Court,” Boston Magazine, 3 (March 1786), 139; David Daggett, An Oration,
Since aggressive debt and tax collection had “dispirited” farmers and “rendered [them] in some measure useless to Society,” relieving their distress would revive their spirits, enabling them to make greater contributions both to their families and to the nation. In April 1787 a Marylander proposed that the state government replace its two hundred thousand pounds’ worth of interest-bearing bonds with paper money, which did not pay interest. This proposal for “lessening the public debt” would allow the assembly to slash the state property tax (which had been levied “chiefly for the purpose of paying the interest on these certificates”), “thus animating the hopes of a depending people.” Similarly, Publick Faith claimed his tax reduction plan would prompt Massachusetts farmers “to manly and generous exertions for the common good, by calling hope to their aid.”

Americans who favored tax and debt relief affirmed that what made the loss of farmers’ tools and time—and the consequent damage to both immigration and inspiration—so disastrous for the economy was that farmers’ labor was the foundation of the nation’s wealth. Indeed, the assumption was shared by many friends of fiscal and monetary stringency. The “Midling and Lower Orders of the people” were the “most useful and Laborious Part of the Community,” William Whiting asserted in an unpublished fall 1786 essay. “Some other orders” were “of much Less Importance to the Community.” Historians have identified numerous ranks in eighteenth-century American society. But in the relief advocates’ taxonomy, free Americans formed only two classes. First, there were the “Labourous Members of Society,” the “industrious members of the community.” High taxes and restrictive monetary policies transmitted their “Property, the Production of Laborious Industry,” to the other, the “non-productive class,” the “useless and idle drones, who [were] living on the common stock.” A New Jersey writer claimed “moneyed-men” dreamed of an idle life in which they would “live by the labour of the farmer and mechanic.” While most opponents of relief disputed this image of the many carrying the few on their backs, one implicitly accepted it, observing with concern the growing prejudice against “those, whose subsistence is derived from the labours of others.”

Although the most damning indictment of the legislatures’ harsh fiscal and monetary policies was that they had reduced farmers’ output, relief advocates did not neglect the consumption side of the ledger. They rejected their opponents’ claim that farmers and
their families had provoked the economic crisis by spending beyond their means. “When we complain of our taxes,” one Massachusetts writer said in summer 1787, protax essayists “tell us of our fine feathers and dinners, and other extravagance; but for my part, I see no more of these things now, than I did before the war.” Not farmers but speculators were indulging in excess consumption, this writer declared: “Feathers, feasts, and coaches, are the exclusive pleasures and privileges of men who draw from 20 to 60 per cent, from their country.” (That was the effective annual interest that bond speculators collected.) Other writers, anonymous but ostensibly male, defended feathers and other peculiarly feminine indulgences. Whenever New Hampshire farmers’ “wives and daughters wear a gaudy ribbon, or a flimsy cap of gauze,” an essayist noted in July 1786, the supporters of fiscal and monetary austerity revile them for “mimickry, luxury and extravagance, which is so insupportable to their vanity, that the very sight of such little innocent and trifling ornaments of innate pride, offends and disgusts them to the highest degree.”

Today it is a commonplace among economists that excessive taxation or overly restrictive monetary policies—or a combination of the two—can throw an economy into recession. That was essentially what the champions of tax and debt relief were saying, but they rarely used such abstract language. For them the matter was more personal. In their eyes, high taxes and currency deflation had led the wealthy to stop making productive investments and in many cases to stop producing. Even more important, the assemblies had prevented farmers and artisans from working at their full potential. Those were the fetters dragging the economy down.

As important as it is to recognize that the friends of the United States Constitution had to contend with many Americans who did not agree that escaping the recession of the Confederation years required such a drastic restructuring, it would be a mistake to assume that the fiscal and monetary debates of the 1780s produced only two factions. There were many more, and the two broad factions consisted of numerous subcamps. The difficult questions of the 1780s even divided the minds of many individuals.

Neither of the principal parties to the relief debate was monolithic. Some Americans who sympathized with distressed farmers opposed paper money while supporting other forms of relief. Some paper money supporters wanted it to be legal tender while others did not. The opponents of relief were aware of these divisions and knew how to exploit them. The New Hampshire and Massachusetts legislatures both used the divisions among relief advocates as a rationale for defeating the most popular relief proposals. Yet the enemies of relief were also divided. Different friends of a measure often used contradictory arguments in championing it. Some Americans touted the new national government as muscular enough to extract delinquent taxes, forcing farmers to expand production, while other Federalists said it would yield farmers a well-deserved tax break.

Not only were the two broad groupings internally divided, but many Americans did not fall neatly into either one. Some changed their minds. For instance, in August 1786


43 On divisions among relief advocates, see Holton, “Divide et Impera.” For Federalists favoring the Constitution in order to enforce taxes, see Brown, Redeeming the Republic, xii, 4, 236; and Bouton, “Road Closed,” 876–77. For Federalists saying the Constitution would reduce taxes, see Edling, Revolution in Favor of Government, 191–205.
the lexicographer Noah Webster vigorously defended taxation for the benefit of bondholders. After all, he claimed, “the common people in this Country drink Rum & Tea sufficient every year to pay the interest of the public debts.” By the following spring Webster was telling readers of the Pennsylvania Gazette that taxes were too high, at least in Massachusetts. “I frankly confess, that the result of my enquiries is, a decided opinion that the people are right,” he declared. Later that same year Webster wrote a pamphlet supporting the Constitution, which he hoped would satisfy bondholders without oppressing taxpayers. Others’ attitudes were even more complicated. On the one hand, the American envoys in London (John Adams) and Paris (Thomas Jefferson) fretted about the message tax and debt relief sent European investors. On the other, both contended that earlier investments by Europeans—that is, loans—had caused Americans nothing but trouble. Jefferson’s ambivalence was especially acute. He was highly critical of the relief laws that numerous states, including his native Virginia, adopted in the 1780s, but he defended a proposed law that would have allowed Virginians, including him, to pay their prewar British debts in seven annual installments. Jefferson’s arguments in support of the installment law were indistinguishable from those advanced on behalf of the relief schemes he denounced.  

A final complicating factor is that sometimes a loyal member of one of the two main camps raided the other’s rhetorical arsenal. Take the Philadelphia merchant Pelatiah Webster, who insisted that the Pennsylvania legislature use gold and silver to pay interest to Pennsylvanians who had purchased federal bonds during the war—despite their generally having purchased the bonds with depreciated currency. The original holders’ interests clashed with those of other Pennsylvanians, the so-called secondary holders, who had obtained their bonds on the open market. In 1784 the secondary holders, recognizing that the Pennsylvania government could not afford to pay both categories of bondholders their interest in gold and silver, proposed that all interest be paid in paper money. Webster and the other advocates for the original holders did not think they should receive their interest in the form of “another deluge of public promises” that seemed destined to depreciate. Their alternative was for the original holders to get gold and silver—and for the secondary holders’ bonds to be redeemed only at their (greatly depreciated) market price. In his war against the secondary holders, Webster penned some of the decade’s most eloquent denunciations of bond speculation, which, he said, “takes an immense property from those who had earned it, and would, of course, probably make the best use of it, and places it in the hands of people who have not earned it, and who would, of course, probably make the worst use of it.”  

Webster’s indictment of bond speculation drew heavily upon the alternative economic vision this essay has described. “When the speculators are paid,” he predicted in 1785, “they will all at once become so amazingly rich, that they will probably set up their carriages, and run into other courses of idleness and pleasures, luxury and dissipation, which


are ever hurtful to the public.” Like relief advocates, Webster contended that enriching bondholders at taxpayer expense decreased the speculators’ contribution to the economy without increasing that of ordinary Americans. Indeed, high levies “cast a damp and deadening languor on the very first springs, the original principle and source of our national wealth.” Webster also repeated the popular warning that state assemblymen, in their zeal to satisfy bondholders, might scare off would-be immigrants. “Heavy taxes on the country,” he warned, “will discourage people from coming to settle on our lands.” Webster even joined the supporters of tax and debt relief in rejecting the “stupid and cruel argument . . . that taxing labor has this advantage, that it promotes industry, because it increases necessity . . . that it is best to make every body poor, because it will make them work the harder.” Instead of being “goaded on by dire necessity and the dreadful spurs of pinching want,” he said, farmers and artisans should be “animated by an increase of happiness and hope of reward.”

It appears that Webster was expressing a genuine sympathy for distressed taxpayers even as he cynically appropriated relief advocates’ arguments for use against a rival group of bondholders. Like his cousin Noah Webster, he enthusiastically endorsed the Constitution, but his embrace of the arguments advanced by Americans who wanted to revive the economy without overhauling the government indicates just how popular those arguments were.

The parchment signed in Philadelphia on September 17, 1787, sliced through both the principal parties to the policy debates of the previous four years, dividing each into two distinct factions. Many Americans who had spent the 1780s trying to persuade the state legislatures to adopt more lenient fiscal and monetary policies opposed the Constitution as an assault on relief. Others who had pushed for tax and debt relief supported the new charter despite its antirelief and antidemocratic clauses, in the anticipation (in most cases justified) that it would cut their taxes. Some of their fellow relief advocates accused them of making the bad bargain Esau had made—of selling their birthright for a mess of potage.

The Constitution also divided the friends of more aggressive debt and tax collection. For many, one of the most compelling reasons to overhaul the government was to abolish tax and debt relief. Others attacked the Constitution, despite their admiration for its antirelief clauses, because it seemed to threaten civil liberties and states’ rights. The antirelief Antifederalists’ awkward position—endorsing the Framers’ grim diagnosis of the nation’s economic ills while rejecting the remedy they had devised in Philadelphia—helps explain two great mysteries of the founding era: the ineffectiveness of the campaign against the Constitution and the rapidity with which its sharpest critics dropped their opposition after the adoption of the Bill of Rights.

None of those later developments should distract us from the debate over state-level fiscal and monetary policies that divided Americans on the eve of the Constitutional Convention. Is it appropriate to describe that debate as a class conflict? It cannot be con-
idently affirmed that the two principal sides represented conflicting classes: the authors of many fiscal and monetary treatises will forever remain unknown, and others sometimes took positions that ran counter to their own immediate self-interest. And yet the debate was a class conflict in a different sense. It hinged upon which segment of society should bear the burden of reviving the economy. Although the advocates for leniency and austerity both believed their plans would ultimately benefit every free American, the most candid champions of each approach acknowledged that it might force some segments of society to suffer for the good of the whole. Tax relief advocates were only too happy to admit that bond speculators would lose out if the bonds were redeemed with paper money or at their market value, but they asserted that everyone would benefit once government bonds no longer diverted capital away from productive investment. Pro-relief writers also conceded that, while a government loan office would provide its customers with capital and restore the money supply, the paper money it issued might depreciate—at great cost to public as well as private creditors. For their part, Americans who wished to transfer more wealth from debtors and taxpayers to creditors and bondholders often acknowledged that doing so would inflict temporary pain on farmers, although they affirmed that this pain would quickly be forgotten as the economy mended.

The debate over which classes should sacrifice for the good of the whole was largely a disagreement about what to do on the frequent occasions when the two imperatives for economic renewal—attracting capital and encouraging labor—clashed. Some Americans believed the single best way to end the recession was to remove all restraints on productive labor—even at the risk of scaring off potential investors. Although their opponents shared their desperate desire to end the recession, they also sought boisterous growth, and they would achieve it by attracting capital—even at the risk of discouraging labor. Historians have long debated early American farmers' attitude toward capitalism. Farm families may be defined as anticapitalist in the sense that when their most prominent countrymen called on them to sacrifice property and personal liberty on behalf of the crusade to attract capital, most of them declined. When modern historians uncritically adopt the Framers' assumption that the farmers were simply shortsighted, they forget two truths: First, that few of the men who called on farmers to accept sacrifice were proposing to join them in it, and, second, that farmers and their supporters seem to have sincerely believed that it was not capital that held the key to economic revival. It was labor.

The competing economic strategies advanced in the 1780s were rooted in conflicting assessments of popular virtue. Madison and other prominent Federalists believed the 1780s offered farmers a grim lesson about the limits of their own capacity for self-rule. According to this viewpoint, the authors of the Revolution-era state constitutions had placed too much faith in ordinary Americans' ability and willingness to act wisely and

---

justly. "I was once as strong a republican as any man in America," Noah Webster declared in a November 1786 essay. "Now, a republican is among the last kinds of governments I should choose." Yet many Americans—Webster briefly among them—denied that the 1780s had taught any such lesson. Although they agreed that the state legislatures had mismanaged the economy, they traced this failure to elite, not popular, misrule. Consequently, they disputed the Federalists' assertion that the only way out of the economic bind was to embrace the restraints on popular influence embodied in the Constitution.

The contest between the elitist and populist political dispositions thus paralleled the dispute over whether the saviors of the economy were going to be moneyed men (who would invest in America as soon as they could do so safely) or ordinary farmers (who required only the removal of their fiscal and monetary shackles to become prodigiously productive). In politics as in economics, the question was whether redemption was going to come from above or below.

Like the contemporary analyses described in this essay, modern attitudes about whether the nation could have escaped the economic slump of the 1780s without adopting the Constitution will inevitably be influenced by the prejudices and predilections of the analyst. It appears, however, that any answer to the question, "Did the Constitution save the American economy?" that begins with yes will also have to contain the word but. Yes, the Framers rescued the nation from a terrible economic slump, but it was a crisis that they and their friends had helped create. Yes, the Constitution revived the economy, but the same result could have been achieved without imposing so many restraints on popular power. Yes, the Framers redeemed the Republic, but that did not prove what it is widely assumed to have proved—that the reins of government reside most safely in the hands of the few.

[Noah Webster], "Political Paragraphs: Connecticut," Middletown Middlesex Gazette, Nov. 27, 1786.