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### **Author**

Eicholz, Hans L.

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## Banking and Market Culture in Pennsylvania during the 1780s

Hans L. Eicholz

When analyzing the major transformations in American political ideology during the early national period, historians have generally portrayed a struggle between a community-oriented conservative tradition and more "modern" notions that stress the acceptance of interest-based politics, competitive economic individualism, and material prosperity. Currently this transformation is presented in terms of classical versus liberal republicanism, with the differences between them located in a fundamental disagreement over the legitimacy of self-interest in public life.<sup>1</sup> While conceived in new terms, the desire to distinguish the heralds of modernity from a conservative old guard has existed as long as American political theory itself. It is the contention of this paper that such a framework is basically misguided. An examination of America's first major banking controversy reveals that both the merchants who supported the Bank of North America and the farmers who opposed it shared a common belief in the benefits of a competitive market economy of self-interested individuals. Where they disagreed was over the proper credit arrangements necessary to facilitate economic growth. It is a distortion of the early national period to locate the origins of modern politics in any one group. This view challenges not only the historiography of republicanism, but also much of the literature dealing with the politics of banking.

Writing during the late 1950s, Bray Hammond propounded a

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*Hans Eicholz is a doctoral candidate in the Department of History at the University of California, Los Angeles.*

major reinterpretation of agrarian opposition to national banking. His book, *Banks and Politics in America*, took on the long-standing notion originally argued by Horace White at the turn of the century that most agrarians were debtors in search of "cheap money."<sup>2</sup> Hammond made the salutary observation that men of enterprise, not farmers, more often than not, pushed for paper money and more liberal policies. As Hammond notes, a number of other historians such as Kathryn L. Behrens, Philip Crowl, and Joseph Dorfman had also come to similar conclusions. Hammond pressed this interpretation a bit further, however, and asserted that if men of enterprise favored banks, paper currency, and liberal loans, then surely most agrarians were against such things. Beginning his analysis with the Bank of North America controversy of the 1780s, he asserted that the agrarian opposition to the Bank of North America in the Pennsylvania legislature was based on a profoundly conservative economic outlook. Agrarians, he claimed, were hard money men "endeavoring tenaciously to preserve some virtuous simplicities in the labors of man and his institutions." They, in essence, feared all paper money because they feared debt and thus "the agrarian dislike of banking under the Republic continued the agrarian dislike of paper money in colonial days, for the distinctive mark of banks was their circulating notes, and these notes were a variety of paper money." To agrarians such as Thomas Jefferson, to the poets and Transcendentalists--to Emerson, Hawthorne, and Thoreau--it [banking] was an objectionable instrument of industrialization, materialism, and immorality."<sup>3</sup>

Barring a few recent efforts, Hammond's conclusions have tended to dominate the historiography since the time he published his work. Yet, even in retrospect, many of his findings appear unfounded. Back in the early forties, Richard Lester made a clear point of the fact that those who opposed paper money in the earlier part of the eighteenth century in Pennsylvania tended to be from the most prominent mercantile families.<sup>4</sup> Moreover, George Athen Billias in his work on the Massachusetts land bank of 1740 stressed that the conflict concerning that institution arose between those merchants and wealthy farmers (often one and the same) who supported a land bank which backs its loans with the mortgaged property of the borrower, and those merchants who favored a money bank which extends credit on the expected profitability of specific trade ventures.<sup>5</sup> If nothing else, this should have indicated to Hammond a great deal more variety in the composition of the banking factions than he had taken into account. For instance,

he attributed the extension of the Bubble Act to the colonies in 1741, which was intended to prohibit the formation of corporations not explicitly chartered by Parliament, to the pressures brought forth by the anti-inflationary agrarian faction.<sup>6</sup> Billias, however, had clearly shown that this extension was encouraged by merchant supporters of a money bank who wanted to destroy the land bank created by their rivals.<sup>7</sup> At the very least, the position of the agrarians could have been seen as ambiguous, but Hammond asserted otherwise and, thereby, established one myth to replace another.

The notion that agrarians were "hard money" men became even more perplexing, however, when it is realized that one of the leading historians of American banking, Fritz Redlich, devoted a substantial piece of his work on the Bank of North America in *The Molding of American Banking* to a discussion of agrarian demands for long-term loans. Drawing on many of the same sources as Hammond, Redlich found the agrarians wanted, not to abolish paper currency, but to encourage its issue through liberal long-term loans based upon the worth of the farmer's land and issued through state loan offices. Farm improvements required longer-term investments than did mercantile ventures. Many banks, such as the Bank of North America, made loans only on a short-term basis to serve the needs of seaborne commerce. Consequently, this policy restricted the opportunities of farmers to borrow for farm improvements.<sup>8</sup> Regrettably, Hammond took none of this into account.

Despite overwhelming evidence of agrarian support for a state loan office, Hammond dismissed the evidence as a simple ploy by farmers to bring down the bank. As he wrote, "there was far more interest in destroying the bank than in fostering the loan office..., and Robert Morris...twitted the few country gentlemen who professed such esteem for the state's paper money now withstanding it is notorious that they will not sell the produce of their farms for it."<sup>9</sup> His only piece of evidence for this contention came from none other than the chief proponent and architect of the bank himself! In spite of such drawbacks, Hammond was quite successful in promoting the idea that the agrarians were backward-looking conservatives opposed to the rising commercial order. This notion has been strengthened by most of those writing on the politics of banking from Redlich on up to the present.<sup>10</sup> It matters not that farmers sought loans to invest in their lands, as Redlich wrote, or supported a land bank as Billias argued, they were still backward-looking anti-capitalists.

This position was adopted from a different perspective. Since the appearance of Bernard Bailyn's *The Ideological Origins of the American Revolution*, a number of scholars have examined the connection between British commonwealth thought and American revolutionary ideology. In *Machiavellian Moment*, J.G.A. Pocock has insisted that revolutionary and early national political thought in the United States should be seen as part of the civil humanistic or classical republican tradition that dates back to the time of Aristotle. Classical republicans hold to a notion that society must maintain, within the bounds of a constitutional republic, a delicate balance of the natural social orders of the king, the aristocracy, and the people. Any change or deviation from this balance was seen to usher in corruption. This could only lead to the dictatorship of the one, the few, or the many. For this reason, commerce and economic change were viewed with suspicion. With commerce came wealth and with wealth political influence, leading to corruption. Man, it was held, needed to maintain a virtuous detachment from the interests in his public life. Until the 1830s, according to Pocock, Americans thought along these lines. In the early national period he sees a classic split develop among American political factions between a "court" and "country" party.<sup>11</sup> The former consisted of those who embraced commerce and national glory. They "desired to establish a Bank of the United States, and class of fund-holding public creditors who would be directly interested in upholding the government."<sup>12</sup> The opponents of banks, however, were members of the country or Jeffersonian party. They distrusted commerce and banks and the "symbolic property" of bank notes and paper currency. As Pocock writes:

Once property was seen to have a symbolic value, expressed in coin or in credit, the foundations of personality themselves appeared imaginary or at best consensual; the individual could exist, even in his own sight, only at the fluctuating value imposed upon him by his fellows, and these evaluations, though constant and public, were too irrationally performed to be seen as acts of political decision or virtue. The threat of corruption cut deep...<sup>13</sup>

Though varying in details, the general interpretation of Pocock's agrarian/Jeffersonian/country-party has been accepted by a number of historians writing along similar lines.

Unfortunately, while the concept of commerce plays an important role in the interpretations of these historians, little has been done to examine how men in the revolutionary era actually thought about the life-blood of commerce, money, and banking. Banks occupied a pivotal position in the development and spread of both industrial and pre-industrial markets. They provided the essential catalyst to trade; credit. How people reacted to banking institutions reflected how they felt about commerce and its relation to corruption and virtue and thus, more importantly, how they perceived of human nature and society.

It is my contention that in the debates over the Bank of North America, the agrarian opposition did not exhibit a backward-looking anti-capitalist perspective. On the contrary, the leading voices of agrarian opposition reflected an underlying core of social thought that can only be described as market oriented. In the first banking controversy, both proponents and opponents of the Bank of North America shared a common perception of human nature and society. Every man and woman was seen to be unavoidably self-interested, and yet, unlike the classical republicans, this was not held to be basic a human flaw or social ill. Given the proper institutional relations, each person could be left free to pursue his or her own interests. Where the two factions differed was over the forms to be taken by the institutions necessary for the maintenance of a capitalist order. The opponents of the Bank looked to the establishment of a state loan office and the emission of paper currency as their ideal alternative. When seen in the context of Pennsylvania's commercial economy, this interpretation is entirely credible.

Since the sixteenth century, the Atlantic world underwent tremendous commercial development. Western European nations rushed to colonize the New World and erect a booming oceanic network of international trade. This need hardly be elaborated upon. What is less commonly known is the extent to which agriculture became commercialized. From the mid-seventeenth century on, agricultural produce became a major source of trade, and farmers willingly embraced this development by expanding their output and finding an access to market. As E.L. Jones noted, in his *Agriculture and the Industrial Revolution*, "England was early in field with a productive, expandable agriculture, which as the eighteenth cen-

tury went by increasingly spread its influence by means of books, correspondence, and personal inspection to willing pupils in other countries."<sup>14</sup> This influence was not lost on America.

Between 1725 and 1755, Pennsylvania experienced its largest influx of immigrants. These men and women represented the middle ranks of European society. Not so poor as to be bound to the old country not so wealthy as to be tied to their investments, these individuals set out for the rich soil of the Pennsylvania interior. They were not leaving because of war, famine, or disease. Life in Europe between those years was generally tolerant and peaceful.<sup>15</sup> They came because Pennsylvania offered fertile soil and a ready access to the Atlantic economy. "By the third generation, after 1740, farmers of 'middling' status sold between a third and a half or more of their production, at least during peacetime."<sup>16</sup> Thus as James Lemon wrote in his work, *The Best Poor Man's Country*, the "romantic notions of subsistence and self-sufficient farmers must be rejected. The golden age of non-commercial simplicity presented by scholars in the early twentieth century did not exist in rural or even frontier Pennsylvania."<sup>17</sup>

Between 1740 and 1770 total exports of wheat, flour, and flax seed increased from approximately 100,000 to 500,000 pounds sterling, an increase of 500%! When added to lumber, this comprised the bulk of Pennsylvania's exports. This went to other mainland countries, Great Britain and the West Indies. The latter provided an especially lucrative outlet for farm produce. The West Indies traded rum and sugar in exchange for Pennsylvania wheat and lumber.<sup>18</sup>

As a developing colonial economy, Pennsylvania had long been operating under a deficit of trade with England. The reasons for this are quite apparent. Pennsylvanians need capital goods. They needed farm implements, manufactured cloth, and other refined products which they could not produce in sufficient quantities. Consequently, what money there was quickly left the country to pay for their English purchases and a chronic lack of specie came to characterize pre- and post-revolutionary America. In the past, paper currency emission on land collateral had been an accepted means towards alleviating the periodic distresses caused by a severe shortage of hard currency shortage.<sup>19</sup> These emissions were conducted through the agency of a state loan office or, in other words, a government controlled land bank. This practice was very attractive to those with land whose investments in agriculture made this an important source of funds for the payment of debts and

the maintenance of property. During the 1780s, Pennsylvania underwent another severe contraction in its money supply and trade. In response to this downturn, farmers promoted the idea of a loan office. Merchants, however, supported the incorporation of the Bank of North America.

Originally founded by Robert Morris for the purpose of extending funds to the bankrupt Continental Congress, the Bank of North America also served the subsidiary purpose of concentrating mercantile capital for the ready financing of trade ventures. It was a classic money bank. In other words, it based its loans on the perceived profitability of particular trade ventures. This was a very risky undertaking, given the nature of the market and cross-Atlantic trade route. Consequently, the bank, like many other banks, restricted its policies to short term (thirty to sixty days) loans at rates higher than a loan office.<sup>20</sup> Before the bank, merchants had to borrow from each other. Much time was spent seeking available funds. The bank served to centralize these resources for more efficient access. Furthermore, because the bank promised to redeem its notes in specie, its paper was readily accepted in England and other foreign trading nations.<sup>21</sup> Paper emissions, on the other hand, were only transferable within the state because they were used ultimately for the payment of land taxes. From the beginning, the bank and the loan office displayed, from our vantage point, clear grounds for conflict. Apparently, this was not recognized during the bank's founding in 1782. Its passage through the legislature met with little or no outcry from the planters and farmers. Part of this may be explained by the fact that the economic downturn had not taken hold until 1785.<sup>22</sup> Another reason perhaps was that farmers had not yet come up against the Bank's lending policies. As pointed out earlier, the loan office was designed to make long-term (six months to a year) loans at low interest rates. This was required by farmers due to the long gestation period between their initial investments in the land and the following harvests.<sup>23</sup> As already noted, this was a land bank in all its essentials.<sup>24</sup> Land banks were considered preferable to money banks by many political economists of the period because they based their loans on "real property" rather than on expected returns. A farmer would offer his land as collateral, and receive usually about ninety percent worth in credit.<sup>25</sup>

Due to the nature of the Bank of North America, such a policy was inappropriate. The riskier nature of its investment required that the officers of the bank be able to call upon the institution's



cash reserves quickly without worrying that they might be left insolvent for long periods. When the bank was established in 1782, however, all remained relatively calm on the political scene.<sup>26</sup> Indeed, one might suggest that it was precisely because of the commercial outlook of farmers that they failed to immediately recognize the bank as a threat. Not until the bank was seen as being opposed to their interests did they attempt to revoke its charter. The mere fact that the farmers found it difficult to borrow from the bank might have been tolerated, but the bank went further than this. It not only refused to make adequate funds available to farmers, but actively opposed state paper emissions and explicitly stated that it would not accept paper from either payment of loans or deposits.

When the Constitutionalists, led by western agrarians, achieved a majority in 1785, the economy had entered into depression and credit became exceedingly scarce. Due to the overspeculation of merchants during the last years of the Revolutionary War, the country was flooded with foreign goods. The drain on specie and the large supply of merchandise caused a precipitous drop in prices that continued until 1788.<sup>27</sup> In the ensuing debates over the existence of the bank, both sides championed their institutions as the answer to the state's problems. With the ascendancy of the Constitutionalists, however, the bank would lose its charter until the Republicans could once again take control of the assembly in 1787.

Both sides in the struggle displayed a keen understanding of their place in the economy. During the debates of 1785 and 1786, the arguments over the bank placed the discussion of paper currency and mercantile credit within the context of the international economy. Nowhere, however, was commerce or self-interest questioned. Neither the proponents nor opponents of the bank can be characterized as "conservative" in this respect. What is clear is that they favored different institutional arrangements in which a shared belief in competitive self-interest played a leading part.

During the debates over the bank's charter in 1785, Jonathan Sergeant, attorney for the bank's opposition, charged that the currency shortage had been exacerbated by the institution's promotion of the important trade. This formed one of the tenets of the anti-bank position. Arguing from classical mercantile principles, opponents of the Bank of North America charged that exports had to be increased, and this could only be achieved through investments in farming. Or, to put it in Sergeant's words, "the steps by which the

state arose to the flourishing condition it was in before the war, are those that we must return to in order to retrieve it from its present situation--I mean by loans to the farmers to enable them to improve and cultivate the country."<sup>28</sup> Sergeant did not place the argument in explicit importer versus exporter terms, but the meaning of his arguments were not lost on his clientele. Standing before the general assembly in 1786, William Findley refined Sergeant's position in explicit terms.

An immigrant of Scotch-Irish background, Findley started off in the United States first as a weaver, then as a school teacher, and finally as a farmer. As a supporter of the radical Pennsylvania constitution of 1776, he was elected shortly thereafter to the state legislature. Displaying a clear knowledge of mercantile political economy, Findley charged that "the balance of trade being constantly against us, commerce with us has contracted a different meaning from what it has in Europe...from the excess of exports, the nation is enriched. With us it may, with propriety, be styled importation than commerce; and this importation, carried on to too great a degree before the revolution is greatly facilitated by the bank."<sup>29</sup> What was Findley's solution? "We," he asserted, "must encourage our own produce and manufactures."<sup>30</sup>

That same year William Barton came out with his influential pamphlet, *The True Interests of the United States Considered*. Neither a farmer, nor a resident of the back country, Barton points the problematic nature of classifying the opposition to the bank as simply agrarian. He was a noted political-economist and produced some of the most sophisticated arguments on the anti-bank side. In his attack upon the bank, Barton reasoned that any institution beneficial to the state needed to encourage the nation's exports. This, he asserted, could only be achieved through making credit more accessible to the farmer. The state loan office was the proper institution for the task. The bank, however, was seen to promote just the opposite economic activity. It could not "lend on any other security than mere confidence, grounded on opinion only." The farmer, on the other hand, "who is desirous of borrowing capital," and whose assets are based solidly in land, "cannot obtain a farthing from the bank." Since merchants were the source of importation into the country, the bank was seen to promote what Sergeant believed to be an imbalance of trade, leading to an outflow of gold and silver coin. The bottom line of Sergeant's argument was to make credit, the instrument of business expansion, available to the farmer in order to increase exportation of American agricultural products.<sup>31</sup> Clearly

the bank's opposition was not merely asserting some old conservative notions of "hard money" and "virtue." Sergeant, Finely, and Baritone each displayed a keen recognition of their constituency's economic interests and each made some contribution towards refining the anti-bank position, placing it within the framework of the international economy.

Much, however, has been made of the anti-monopoly position that was joined to these economic arguments. Gordon Wood (who has modified his views somewhat: See footnote 59) and Lance Banning have interpreted the assertions of monopoly banking as representing the classical republican fear of concentrated wealth.<sup>32</sup> Concentrated wealth was feared, but not, as we shall see, for classical republican reasons. In the original petition to revoke the bank's charter, the argument was made that the bank had the power of "directing what paper credit shall circulate and what shall depreciate."<sup>33</sup> Deploring the bank's opposition to paper money, the petitioners charged that the state was powerless to oppose it "so long as their (the bank directors) power shall continue."<sup>34</sup> In response to this assertion, the bank's attorney, James Wilson, presented an argument not at all congruent with what we would expect of one addressing an opposition steeped in the notions of classical virtue and republicanism.

Charging that the bank and the loan office "do not interfere with each other," and are, therefore, "not incompatible," Wilson went on to make the illuminating claim that "banks are calculated to be the servants of the people. Their aim is profit not ambition. They are rather inclined to be too obsequious, than too refractory."<sup>35</sup> Self-interest for Wilson was something quite different from political ambition. Indeed, it was a legitimate social undertaking. It served the interest of the community, while the latter was a distinct form of political malady. If the opposition to the bank had been wedded to the classical republican notion that profit and ambition were inseparable, would this not have been an odd tactic on the part of the bank's attorney? The opposition, however, was not based on the concept of the virtuous citizen, but on the self-interested individual.

Taking Wilson to task for his claim that both institutions could co-exist, Sergeant began his attack by stating, "I do not make any charge against the parties under whose directions the bank rests. They have pursued the only road that will ever be pursued by any body of men in the same situation, that is, to make the most for the stock holders."<sup>36</sup> No moral pejorative is attached to this

pursuit. It has become a legitimate undertaking that "will ever be pursued by any body of men." What distressed Sergeant was not the pursuit of self-interest, but the structure of the institution:

The interests of the bank being undoubtedly to destroy all paper but their own, they will as surely proscribe it, as an engine will follow the motion of its wheels. Let us suppose the most generous man existing, to become director of the bank, he must in six months fall as regularly into the track pursued by the president and the directors as a miller takes his toll.<sup>37</sup>

Economic forces were seen as objective and indisputable facts of life. It appeared logical to Sergeant that what needed to be altered was not the pursuit of one's self-interest, but the institutions through which it would be pursued. After all, he added, "I only contend against the general principle of the bank, which is an effectual discouragement of agriculture, mechanic arts, and commerce."<sup>38</sup> Far from being locked into a backward, anti-commercial political philosophy, the opponents of the Bank evinced strong pro-market sentiments. This is borne out in the later debates of 1788 as well. Like Wilson, the Bank's champions in these conflicts shared with their opponents a strong attachment to the notion that self-interest was a positive social good.

Having once fought the bank for the right to establish a similar institution in 1784, Tenche Coxe, a prominent merchant, now became one of its chief advocates. Never ceasing to criticize the bank, he incorporated his complaints into the arguments on its behalf.<sup>39</sup> The Bank of North America, Coxe asserted, provided a public service. It facilitated trade and acted as a ready source of credit to the government in times of need. Unfortunately, it had some grave defects. As he wrote, "the perfect novelty of the topic occasioned several extreme dangers to be over-looked in its formation."<sup>40</sup> Coxe argued that giving each investor in the bank as many votes as he had shares would allow for the control of the institution to fall into the hands of an elite few. Looking to the Bank of England for his model, he praised the British restriction "giving each proprietor of five hundred shares a vote and...not permitting any man to have more."<sup>41</sup> Thus he charged, we alone of all the free nations on earth, "have endowed a wealthy corporation with powers and privileges opposed to freedom and equality."<sup>42</sup> This

arrangement, moreover, was to be permanent. This was its second great flaw: "The Parliament of England granted its charter for eleven years: ours...was in effect unlimited."<sup>43</sup> He wrote in his , *Cool Thoughts on the Bank* (1786), "Here, therefore, is not only a monopoly, but an aristocracy formed of a most formidable kind..."<sup>44</sup> It is important to note that while he did fear the influence of such an aristocracy on government, he did not see the problem arising out of wealth, per se, but from poor government planning. The architects of the bank had failed to "guard the morals of the people from temptations to vices and crimes...injurious to society."<sup>45</sup>

As a political economist, Coxe embraced economic growth and advocated the use of state authority to promote commerce and manufacturing. He was a "modernizer" in the same sense as Alexander Hamilton. As Cooke writes in his biography of Coxe, "The advantages Hamilton attributed to manufacturing--the heart of his report--were the same the Philadelphian had stressed time and again." Both were staunch supporters of technological progress, expanding economic opportunities, and of the creation of "additional modes of investment."<sup>46</sup> This entailed a close association of public and private interests and banking played a central role in the scheme. As Coxe noted, "incorporated banks as before observed...have been instituted to answer public ends. Private men and private property have been used as the means, as must by necessity be the case in all arrangements of civil society."<sup>47</sup> For Coxe the question before the General Assembly should not have been whether to renew the bank's charter or not, "but whether it ought...not to be new modeled, so as to harmonize with the Government of this country and with the present state of trade and commerce."<sup>48</sup> Thus, like the opposition, Coxe did not challenge the propriety of one's pursuit of self interest. He only challenged the organization of the bank. Given all its flaws, he chose to side with the institution rather than abolish it. So did another defender of the bank, Pelatiah Webster.

As a young man, Webster had studied to be a theologian but decided to enter business instead around 1749. Though a native of Connecticut, he chose to move his interests to Philadelphia in 1763. Then in 1776, after suffering imprisonment and confiscation of some 2000£ worth of property, he became passionately interested in political economy. Like Coxe, he sought ways of promoting manufactures, commerce, and agriculture through close public and private cooperation. In fact, he was even more explicit in his endorsement

of private interest and wealth as the instruments enhancing the well-being of society.

Webster used much that could be construed as commonwealth rhetoric in his writings. His compositions are sprinkled with references to one's character and virtue. Upon closer examination, however, it is clear that his concept of virtue is a commercial one. It is in Webster's view equivalent to "credit": "When we say of man, he is a person of credit and reputation, that meaning is that he is a man in whose virtue and good character people in general place confidence." What did he mean by credit? Credit "is the confidence which people place in a man's integrity and punctuality, in fulfilling his contracts and performing his engagements."<sup>49</sup>

In his defense of the Bank of North America, Webster argued that the bank promoted good character and virtue through its prompt enforcement of contracts. He also went on to assert that the bank was of no threat to the government. If anything he contended that the government posed the greatest threat to the community. Referring to the Bank of Genoa, Webster argued that it had failed not because of any defects of its principle, or mismanagement of its directors, but by the madness of the rulers of the state...They magnified its strength and power too much and compelled the directors to make advances to the state, beyond what their funds would bear.<sup>50</sup> His solution to the threat of over-expansion was a prudent mix of public and private interests. Merchants would control the bank, while the state would "become stockholders as far as they pleased and take sums out of the bank whenever necessary."<sup>51</sup> His criticism of the Bank of North America was that it did not offer the state enough access to credit. It was too much of a private bank. All that was necessary, however, to ensure against abuse was to allow merchants to retain control of the business. The bank, after all, "will more naturally fall under the direction of merchants than that of any other sort of men...less interested in its success."<sup>52</sup> In this regard, Coxe and Webster are in complete agreement; Webster, however, did not stop at this point, but went on to state that "our bank is a sort of mercantile institution, and the influence of merchants is the safest of any that can affect government."<sup>53</sup> The reason for this seemed obvious to Webster: "The *parson* lives on the *sins* of the people, and the *doctor* on their *diseases*, and the *lawyer* on their *disputes*...(and I suppose they all think they ought to pray for their daily bread), but the merchant has every inducement to seek, and promote the wealth of the state." And such wealth need not be feared because "it rarely begets sedition; that baneful pro-

duction generally springs from *poverty, vice, and disappointment*...We have perhaps no instance of a nation ruined by its merchants."<sup>54</sup>

The pursuit of wealth and one's self-interests was thus clearly sanctioned by the proponents of the Bank. Economic man was socially respectable. As stated earlier, this held true for the opposition as well. Drawing on the assertion of monopoly raised by Coxe and others, the opponents of the bank forged a different view of what the commercial world order should look like. Farmers played the central role in the economy, they argued, and they should be allowed to strive for their interests as much as merchants. To this end they held up the State Loan Office as their ideal institution. The bank stood in their way. They charged that it had too powerful an influence over the state. What was wrong was not that it corrupted virtue, but that it restricted the free pursuit of individual interests.

Standing before the State Assembly, Robert Whitehill expressed the above sentiments most clearly. The bank blocked the establishment of a second bank (Coxe's original plan ironically) and had then tried to block emission of paper bills. A representative from Cumberland county, Whitehill was perhaps the most consistently "agrarian" in his background. A successful farmer with an estate of 500 acres and stone house of his own construction, he could have been the perfect classical republican yeoman. But he was far from that. In his attack upon the bank, he elucidated clearly the interests of the farming community and their need for credit:

The Bank does not help the farmer--nor promote the agriculture of the state. If the farmer, who is the strength of the country, be cut off from procuring the supplies of money, to enable him to improve his lands, the state must languish. A loan office is the only sure means of encouraging agriculture, and enabling the farmer to bring his product to market.<sup>55</sup>

The bank, as it was constituted, prohibited successful utilization of the loan office. It used its monopoly power to obstruct the interests of landed men. The solution for Whitehill was to revoke the bank's charter and make the banking industry open to private banks: "Cannot it go on as a private bank? How many banks in Europe are carried on in that manner?"<sup>56</sup>

William Findley, the representative from Westmoreland county, covered the same ground while in the Assembly, but he also provided some written reflections on his position a few years after the debates in the Assembly. In his argument against rechartering the bank, Findley attacked the concept of incorporation. Corporations, he charged, removed the burden of individual responsibility from the shareholders in the company and thereby removed one of the principle checks to reckless overexpansion. "Under the charter," he contended, "the incorporated property was the only security to the public: therefore the stockholders, who have the property of it, and draw dividends from it, might be rolling in wealth, and the bank break and ruin thousands."<sup>57</sup> Findley's solution to incorporation, or chartering, was to keep the bank private: "They may still keep a private bank. And here I beg leave to remark that as a private bank is all the constitution admits of, so it would have the same advantages in trade and more security to the people than a chartered bank."<sup>58</sup>

Some have interpreted Findley's stance to be an indication that he was invoking republican arguments of equality and virtue against the bank.<sup>59</sup> When one takes a closer look, however, it becomes apparent that Findley is actually arguing against the unnecessary sponsorship of monopoly wealth by government. As he stated, "how absurd must it be for government to lend its special aid in so partial a manner to wealth, to give it that additional force and spring which it must drive from an almost unlimited charter?"<sup>60</sup> He does not accuse the directors of the bank of being seditious or corrupt. Like Sergeant pointed out, they are simply doing what anyone else would do in their place. In Findley's words, "I do not charge the directors or stockholders personally with such design: but...it becomes the indispensable duty of the directors to conduct it according to its natural principles."<sup>61</sup> In other words, they can not be blamed for something that is part of human nature and subject to the workings of the market.

Following hard upon this statement, Findley argued against the bank on the grounds that it is "inimical to the emission and credit of paper money."<sup>62</sup> He shares none of the suspicion and hostility to "symbolic property" that Pocock claims is characteristic of classical republicans. Findley makes his liberal leanings much clearer, however, later in his *Review of the Revenue System* (1794). Writing the same year that the Bank of Pennsylvania had been successfully organized, Findley stated explicitly that monopolies, and not banks in general, should be abolished:



I admit the operation of banks often administer to the conveniency of revenue operations. But it was necessary that the advantages arising from deposits of public money...should be given as a monopoly to one institution, and government deprived of a *competition* of proposals? The granting of these accommodations is the proper trade of banks and the sources of their profit; they are as solicitous for employ as a merchant is for customers, or a lawyer for clients.<sup>63</sup>

What is evident in Findley's later position is a clear refinement of his original argument in the Assembly. Banking is much clearly presented as part of the market and subjectable to market regulation. Both the arguments of Whitehill and Findley, in this regard, anticipated the more sophisticated arguments of later advocates of free-banking. It is government which bestowed monopoly power and thus allowed the bank to use its influence against paper money and the chartering of similar institutions.

The opposition to the Bank of North America was not based upon a conservative agrarian reaction to the onslaught of an evolving capitalistic order. Of the four leading opponents of the financial institution, none evinced the concern for "hard money" that Hammond presented, and none argued for a return to classical virtue. Both sides demonstrated a clear recognition of their interests and accepted its pursuit as a legitimate social undertaking. Over the course of the debate the arguments were refined as the participants attained a firmer intellectual grasp of the booming Atlantic economy. Given the overwhelming evidence to the contrary, one may ask how the "backward-looking" interpretation of "agrarian" opposition ever developed.

The answer I believe lies in the traditional notions of what it is to be an agrarian. The term agrarian means more today than simply one who cultivates the soil. It carries with it a whole host of cultural baggage acquired over a century of historical writing. Agriculture has long been treated as an industry dominated by the most conservative elements in society. As E. L. Jones argues, this interpretation has evolved out of the tendency to treat anything antiquating the industrial revolution as backward and/or unimportant.<sup>64</sup> As Jones also attempts to show, this is a flawed conception. The industrial revolution did not occur in a vacuum.

Commercialized agriculture played the primary role in providing the surplus food and savings necessary for allowing labor to be set free for industrial development. Unfortunately, the inertia of the "agrarian interpretation" has proven hard to counter. This is evidenced by the fact that John U. Neff had called attention to the inadequacy of treating the industrial revolution as a spontaneous event some forty years ago!<sup>65</sup>

The concept of "agrarian" should be used with caution. As I have tried to demonstrate, not all representatives of the anti-bank faction were farmers. And, more, importantly those that were did not hold to a pre-capitalistic world view. Both sides were forward looking, and both set the stage for future developments in banking history. The drive for competition between many banks, expressed by Findley and Whitehill, foreshadowed later debates over banking in the 1830s. Classical republicanism did not structure the outlook of those involved in the debates over the Bank of North America. By the 1780s a liberal market-oriented world view had already firmly entrenched itself in the minds of both rural and urban Pennsylvanians.

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#### NOTES

1. Stated briefly, classical republicanism disparages private interest and emphasizes the virtue of the disinterested citizen/statesman who acts only for the public good. Modern republicanism, on the other hand, limits the scope of political activity by placing restrictions on government "so that the individual citizens [can] be empowered to act on their own behalf." See Joyce Appleby, "Republicanism in Old and New Contexts," *William and Mary Quarterly*, 3rd Series, 43 (1986), pp. 20-34, p. 25

2. Bray Hammond, *Banks and Politics in America*, (Princeton, New Jersey; 1957), p. 30. See also Kathryn L. Behrens, *Paper Money in Maryland, 1727-1789*, (Baltimore, 1923); Philip Crowl, *Maryland during and after the Revolution*, (Baltimore, 1943); and, Joseph Dorfman, *The Economic Mind in American Civilization*, (New York, 1946).

3. Hammond, op. cit., pp. viii, 35.

4. Richard Lester, "Currency Issues to Overcome Depressions in Pennsylvania, 1723 and 1729," *Journal of Political Economy*, 46 (1938), p. 334.

5. George Athen Billias, *The Massachusetts Land Bankers of 1740*, (University of Maine Studies; April 1959), p. 35.

6. Hammond, op. cit., p. 35.

7. Billias, op cit, pp. 14-15.

8. Fritz Redlich, *The Molding of American Banking*, vol I (New York, 1968), pp. 8-9.

9. Hammond, *op. cit.*, p. 55.

10. For example, George David Rappaport writes, "Because it was a bureaucratic, capitalistic organization with enormous power and visibility, the bank was perceived as threatening, and actually did threaten, the interpersonal relations, established commercial practices, rural interests and republican virtue." George David Rappaport, "The First Description of the Bank of North America," *William and Mary Quarterly*, 33 (1976), pp. 664-65. See also, George David Rappaport, "The Sources and Early Development of the Hostility to Banks in Early American Thought," (Unpublished Ph. D. dissertation; New York University, 1970), pp. 27, 179. An exception to this view is M.L. Bradbury's "Legal Privilege and the Bank of North America," *The Pennsylvania Magazine of History and Biography*, 16 (1972), pp. 146-47. An important contribution to the political theory of banking, Bradbury's article deserves greater attention by historians than it has received.

11. J.G.A. Pocock, *The Machiavellian Moment*, (New York, 1969) p. 529.

12. *Ibid.*, p. 528.

13. *Ibid.*, p. 464. For Gordon Wood the fear of commercial corruption was taken to an extreme in Pennsylvania following the Revolution. The Bank of North America was seen to epitomize avarice creating "distinctions of interest, influence and power." See Gordon Wood, *The Creation of the American Republic*, (New York, 1969), pp. 400-403. See also Lance Banning, *The Jeffersonian Persuasion*, (Ithaca, 1978), pp. 221, 227.

14. E.L. Jones, *Agriculture and the Industrial Revolution*, (Oxford, 1974), p. 118.

15. James T. Lemon, *The Best Poor Man's Country*, (Baltimore, 1972), pp. 4-5.

16. *Ibid.*, p. 27.

17. Lemon, *op. cit.*, p. 6.

18. *Ibid.*, pp. 27-28.

19. Lester, "Currency Issues," *Journal of Political Economy*, 46 (1938), pp. 324-375.

20. Redlich, *op. cit.*, p. 10.

21. Thomas M. Doerflinger, *A Vigorous Spirit of Enterprise*, (Williamsburg, Virginia 1986), pp. 296-310.

22. Lawrence Lewis, Jr., *A History of the Bank of North America*, (Philadelphia, 1882), p. 42; see also Doerflinger, *op. cit.*, p. 262.

23. Redlich, *op. cit.*, p. 9.

24. Doerflinger, *op. cit.*, p. 268.

25. Redlich, *op. cit.*, p. 6.

26. Lewis, *op. cit.*, p. 42.

27. Doerflinger, *op. cit.*, p. 262.

28. Mathew Carey, ed., *Pennsylvania Evening Herald and American Monitor*, September 7, 1785; Vol. 1, No. 13.
29. Mathew Carey, ed., *Debates and Proceedings of the General Assembly of Pennsylvania*, (Philadelphia, 1786), p. 67.
30. William Findley, "William Findley of Westmoreland, PA," *Pennsylvania Magazine of History and Biography*, 5 (1888), pp. 440-450. (This was an autobiographical letter written to Governor William Plumer of New Hampshire. It was published posthumously by PMHB.) See also Carey, ed., op. cit., p. 127.
31. William Barton, *The True Interests of the United States Considered*, (Philadelphia, 1786), p. 19.
32. Gordon Wood, *The Creation of the American Republic*, (New York, 1969), p. 403; Lance Banning, *The Jeffersonian Persuasion*, (Ithaca, 1976), pp. 221, 227, 227n. See also note 59 for further details.
33. Mathew Carey, ed. *Pennsylvania Evening Herald and American Monitor*, February 26, 1785, Vol. II, No. 10.
34. Ibid.
35. Ibid., September 7, 1785, Vol. II, No. 13.
36. Ibid., September 8, 1785, Vol. II, No. 14.
37. Ibid.
38. Ibid.
39. Jacob E. Cooke, *Tench Coxe and the Early Republic*, (Williamsburg, Virginia; 1978), pp. 86-87.
40. Tench Coxe, *Thoughts Concerning the Bank of North America*, (Philadelphia, 1786), p. 1.
41. Ibid., p. 4.
42. Ibid., p. 4.
43. Ibid., p. 6.
44. Tench Coxe, *Cool Thoughts on the Bank*, (Philadelphia, 1786), p. 4.
45. Ibid., p. 6.
46. Cooke, op. cit., pp. 187-188.
47. Coxe, *Thoughts Concerning the Bank of North America*, p. 5.
48. Ibid., p. 16.
49. Pelatiah Webster, *Essay on Credit*, (Philadelphia, 1786), p. 1.
50. Ibid., p. 8.
51. Ibid.
52. Ibid., p. 16.
53. Ibid., p. 20.
54. Ibid.
55. Mathew Carey, ed. *Debates and Proceedings of the General Assembly of Pennsylvania*, (Philadelphia, 1786), p. 62.
56. Ibid., pp. 62-63.
57. Ibid., p. 74.
58. Ibid., p. 74.

59. Initially Gordon Wood viewed Findley and the Antifederalists as a kind of country party opposition to the Federalist "court party." (Wood, *Creation of the American Republic*, New York, 1969), pp. 400-403. This is still maintained by Lance Banning in his book, *The Jeffersonian Persuasion*, (Ithaca, 1978), pp. 221, 227, 227n. Wood, however, has changed his perspective and in an essay entitled, "Interests and Disinterestedness," in Richard Beeman, Stephen Botein, and Edward C. Carter II, eds., *Beyond Confederation*, (Williamsburg, Virginia; 1987, pp 69-109) argued that agrarian Antifederalists, especially Findley, were significantly modern in their attitude towards special interests in politics. He has expanded this in his most recent work, *The Radicalism of the American Revolution*, (New York, 1992), pp. 243-270. Moreover, Janet Riesman has argued that the agrarian Antifederalists were actually more advanced in their economic understanding of currency issues than their hard money Federalist opponents. (Ibid, pp 128-161) In his work on the *Whiskey Rebellion*, (New York, 1986), p. 138, however, Thomas Slaughter has again revived the country-court interpretation, arguing that the agrarian participants in the whiskey rebellion adhered to the older Revolutionary variety of "classical republicanism." My own view is that no particular group, merchants, professionals, artisans or agrarians, should be seen as the sole originator of modern political discourse. Rather, it was the result of a dialectic in which all groups participated.

60. Carey, ed, op. cit., p. 66.

61. Ibid., p. 69.

62. Ibid., p. 69.

63. Findley, *Review of the Revenue System*, (Philadelphia, 1794), p. 78.

64. E.L.Jones, *Agriculture and the industrial Revolution*, (Oxford, 1974), pp. x-xi. See also Joyce Appleby, "Commercial Farming and the 'Agrarian Myth,'" *The Journal of American History*, 68 (1982), pp. 833-849.

65. John U. Neff, "The Industrial Revolution Reconsidered," *The Journal of Economic History*, 3 (1943), pp. 1-31.