

“An Economic Interpretation of the Constitution of the United States” - Chapter 2, A Survey of the Economic Interests (edited excerpt)

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The whole theory of the economic interpretation of history rests upon the concept that social progress in general is the result of contending interests in society - some favorable, others opposed, to change. On this hypothesis, we are required to discover at the very outset of the present study what classes and social groups existed in the United States just previous to the adoption of the Constitution and which of them, from the nature of their property, might have expected to benefit immediately and definitely by the overthrow of

the old system and the establishment of the new. On the other hand, it must be discovered which of them might have expected more beneficial immediate results, on the whole, from the maintenance of the existing legal arrangements.

The Disenfranchised

In an examination of the structure of American society in 1787, we first encounter four groups whose economic status had a definite legal expression: the slaves, the indented servants, the mass of men who could not qualify for voting under the property tests imposed by the state constitutions and laws, and women, disenfranchised and subjected to the discriminations of the common law. These groups were, therefore, not represented in the Convention which drafted the Constitution, except under the theory that representation has no relation to voting.

How extensive the disenfranchisement really was cannot be determined. In some states, for instance, Pennsylvania and Georgia, propertyless merchants in the towns could vote; but in other states the freehold qualifications certainly excluded a great number of the adult males.

In no state, apparently, had the working-class developed a consciousness of a separate interest or an organization that commanded the attention of the politicians of the time. In turning over the hundreds of pages of writings left by eighteenth-century thinkers one cannot help being impressed with the fact that the existence and special problems of a working class, then already sufficiently numerous to form a considerable portion of society, were outside the realm of politics, except in so far as the future power of the proletariat was foreseen and feared.

When the question of the suffrage was before the Convention, Madison warned his colleagues against the coming industrial masses: “Viewing the subject in its merits alone, the freeholders of the Country would be safest depositories of Republican liberty. These

will either combine under the influence of their common situation; in which case, the rights of property and the public liberty will not be secure in their hands, or, which is more probable, they will become the tools of opulence and ambition; in which case there will be equal danger on another side."

So far as social policy is concerned, however, the working class problem had not made any impression on the statesmen of the time. Hamilton in his report on manufactures, dismisses the subject with scant notice. He observes that one of the advantages of the extensive introduction of machinery will be "the employment of persons who would otherwise be idle, and in many cases, a burthen on the community, either from bias of temper, habit, infirmity of body, or some other cause, indisposing or disqualifying them for the toils of the country. It is worthy of remark, that, in general, women and children are rendered more useful, and the latter more early useful, by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great Britain, it is computed that four-sevenths, nearly, are women and children; of whom the greatest proportion are children, many of them of a tender age." Apparently this advantage was, in Hamilton's view, to accrue principally to the fathers of families, for he remarks: "The husbandman himself experiences a new source of profit and support, from the increased industry of his wife and daughters, invited and stimulated by the demands of the neighboring manufactories."

Passing beyond these groups which were politically non-existent, except in so far as those who possessed the ballot and economic power were compelled to safeguard their rights against assaults from such quarters, we come to the social groupings within the politically enfranchised mass. Here we find no legal class distinctions. Social distinctions were very sharp, it is true, as every student of manners and customs well knows; but there were no outward legal signs of special class privileges.

Groups of Real Property Holders

Nevertheless, the possessors of property were susceptible of classification into several rather marked groups, though of course they shade off into one another by imperceptible gradations. Broadly speaking, there were the interests of real and personal property. Here, however, qualifications must be made. There was no such identity of interest between the large planters and the small inland farmers of the south as existed in England between the knights and yeomen. The real property holders may be classified into three general groups: the small farmers, particularly back from the sea-coast, scattered from New Hampshire to Georgia, the manorial lords, such as we find along the banks of the Hudson, and the slaveholding planters of the south.

1. The first of these groups, the small farmers, constituted a remarkable homogeneous class. The inland section was founded and recruited by mechanics, the poorer whites, and European (particularly Scotch-Irish) immigrants. It had particular social and political views arising from the crude nature of its environment, but its active political doctrines were derived from an antagonism to the seaboard groups. One source of conflict was connected with the possession of the land itself. Much of the western country had been taken up by speculators and the settlers were either squatters or purchasers from large holders. This is illustrated by the situation in Virginia, where, as Ambler points out, "liberality in granting her unoccupied lands did not prove to be a good policy. True, large numbers of settlers were attracted to the state, where they made permanent homes, but much of the land fell into the hands of speculators. Companies were formed in Europe and America to deal in Virginia lands, which were bought up in large tracts at the trifling

cost of two cents per acre. This wholesale engrossment soon consumed practically all the most desirable lands and force the home seeker to purchase from speculators or to settle as a squatter." As the settler sought to escape from the speculator by moving westward, the frontier line of speculation advanced.

In addition to being frequently in debt for their lands, the small farmers were dependent upon the towns for most of the capital to develop their resources. They were, in other words, a large debtor class, to which must be added, of course, the urban dwellers who were in a like unfortunate condition.

That this debtor class had developed a strong consciousness of identical interests in the several states is clearly evident in local politics and legislation. Shays' Rebellion in Massachusetts, the disturbances in Rhode Island, New Hampshire, and other northern states, the activities of the paper-money advocates in state legislatures, the innumerable schemes for the relief of debtors, such as the abolition of imprisonment, paper money, laws delaying the collection of debts, propositions requiring debtors to accept land in lieu of specie at a valuation fixed by a board of arbitration, these and many other schemes testify eloquently to the fact that the debtors were conscious of their status and actively engaged in establishing their interest in the form of legal provisions. Their philosophy was reflected in the writings of Luther Martin, delegate to the Convention from Maryland, who disapproved of the Constitution, partly on the ground that it would put a stop to agrarian legislation.

2. The second group of landed proprietors, the **manorial lords** of the Hudson valley region, constituted a peculiar aristocracy in itself and was the dominant class in the politics of New York during the period between the Revolution and the adoption of the Constitution, as it had been before the War. It was unable or unwilling to block the emission of paper money, because the burden of that operation fell on the capitalists rather than itself. It also took advantage of its

predominance to shift the burden of taxation from the land to imports, and this fact contributed powerfully to its opposition to the Constitution, because it implied a transference of the weight of taxation for state purposes to the soil. Its spokesmen indulged in much high talk of state's rights, in which Federalist leaders refused to see more than a hollow sham made over to cover the rural gentry's economic supremacy.

3. The third group of landed proprietors were the slaveholders of the south. It seems curious at the first glance that the representatives of the southern states which sold raw materials and wanted competition in shipping were willing to join in a union that subjected them to commercial regulations devised immediately in behalf of northern interests. An examination of the records shows that they were aware of this apparent incongruity, but that there were overbalancing compensations to be secured in a strong federal government.

Money lending and the holding of public securities were not confined to the north by any means; although, perhaps, as Calhoun long afterward remarked, the south was devoid of some of the artifices of commerce which characterized new England. Neither were attempts at relieving debtors by legislative enactment restricted to Massachusetts and Rhode Island. The south had many men who were rich in personality, other than slaves, and it was this type, rather than the slaveholding planter as such, which was represented in the Convention that framed the Constitution. The majority of the southern delegates at Philadelphia in 1787 were from the towns or combined a wide range of personality operations with their planting. On this account there was more identity of interest among Langdon of Portsmouth, Gerry of Boston, Hamilton of New York, Dayton of New Jersey, Robert Morris of Philadelphia, McHenry of Baltimore, Washington on the Potomac, Williamson of North Carolina, the Pinckneys of Charleston, and Pierce of Savannah than between these several men and their debt burdened neighbours at the back door. Thus

nationalism was created by a welding of economic interests that cut through state boundaries.

The **southern planter** was also as much concerned in maintaining order against slave revolts as the creditor in Massachusetts was concerned in putting down Shays' "desperate debtors." And the possibilities of such servile insurrections were by no means remote. Every slave owner must have felt more secure in 1789 when he knew that the governor of his state could call in the strong arm of the federal administration in case a domestic disturbance got beyond the local police and militia. The north might make discriminatory commercial regulation, but they could be regarded as a sort of insurance against conflagrations that might bring ruin in their train. It was obviously better to ship products under adverse legislation than to have no products to ship.

Groups of Personal Property Interests.

A second group of interests was that of personal property as contrasted with real property. This embraced, particularly, money loaned, state and continental securities, stocks of goods, manufacturing plants, soldiers' scrip, and shipping. The relative proportion of personality to reality in 1787 has not been determined and it is questionable whether adequate data are available for settling such an important matter.

Personality in Money. – Although personality in the form of money at interest or capital seeking investment did not constitute in 1787 anything like the same amount, relative to the value of real estate, which it does to-day, it must not be thought that it was by any means inconsiderable in any state. The tax returns of New Hampshire for 1793 report the value of all buildings and real estate as £893,327:16:10 and the amount of money on hand or at interest as £35,985/5/6. The Massachusetts tax returns of 1792 show

£196,698:4:6 at interest and £95,474/4/5 on hand. The Connecticut returns for 1795 show £63,348:10:1 at interest.

Money capital was suffering in two ways under the Articles of Confederation. It was handicapped in seeking profitable outlets by the absence of protection for manufacturers, the lack of security in investments in western lands, and discriminations against American shipping by foreign countries. It was also being positively attacked by the makers of paper money, stay laws, pine barren acts, and other devices for depreciating the currency or delaying the collection of debts. In addition there was a widespread derangement of the monetary system and the coinage due to the absence of uniformity and stability in the standards.

Creditors, naturally enough, resisted all of these schemes in the state legislatures, and failing to find relief there at length turned to the idea of a national government so constructed as to prevent laws impairing the obligation of contract, emitting paper money, and other with benefiting debtors. It is idle to inquire whether the rapacity of the creditors or the total depravity of the debtors (a matter much discussed at the time) was responsible for this deep and bitter antagonism. It is sufficient for our purposes to discover its existence and to find its institutional reflex in the Constitution. It was to the interest of the creditors to see currency appreciate, to facilitate the process for securing possession of forfeited mortgaged property, and to hold the rigour of the law before the debtor who was untrue to his obligations. Whether the creditors were driven into class consciousness by the assaults of their debtors or attained it by the exercise of their wits is, for scientific purposes immaterial...

The advantage of a strong national government that could discharge this debt at its face value is obvious; and it was fully understood at the time. The importance of this element of personality in forcing on the revolution that overthrew the Articles of Confederation is all the more apparent when it is remembered that securities constituted a very large proportion of the intangible wealth. In Massachusetts, for example, it is set down in 1792 at a sum greater than all the money at interest and on hand in the state.

Personality in Manufacturing & Shipping.- The third group of personality interests which was not inconsiderable even at that time. A large amount of capital had been invested in the several branches of industry and a superficial study of the extensive natural resources at hand revealed the immense possibilities of capitalistic enterprise. The industrial revolution was then getting under way in England and the fame of Arkwright was being spread abroad in the land. In the survey of the economic interests of the members of the Federal Convention, given below, it is shown that a few leading men were directly connected with industrial concerns, although it is not apparent that the protection of industries was their chief consideration, in spite of the fact that they did undoubtedly contemplate such a system. But outside of the Convention vehement appeals were made by pamphleteers for protection, on the score that the discriminatory measures of Great Britain were disastrous to American economic independence.

As early as April, 1785, a memorial from prominent merchants and business men of Philadelphia was laid before the legislature of the State lamenting that Congress did not have "a full and entire power over the commerce of the United States," and praying that the legislature request Congress to lay a proposal conferring such a power before the States for their ratification. The memorialists assured the legislature that there was a "disposition in the mercantile interest of Pennsylvania favourable thereto." Among the signers were T. Fitzsimmons and George Clymer, who were destined to sit in the constitutional Convention as representatives of the State of Pennsylvania and do the mercantile interest which they had so much at heart.

The supporters of the Constitution were so earnest and so persistent in their assertion that commerce was languishing and manufactures perishing for the lack of protection that there must have been some justification for their claims, although it is impossible to say how widespread the havoc really was. The exaggeration of danger threatened by a tariff reduction is not peculiar to our times; it was sharply marked in older days. The consumer suffered from the lack of the protection sought in 1787 by merchants and manufacturers is not apparent. Indeed the "mechanics and manufacturers of New

York" in their humble petition to Congress for relief in 1789 complain that "their country-men have been deluded by an appearance of plenty; by the profusion of foreign articles which has deluged the country; and thus have mistaken excessive importation for a flourishing trade. To this deception they the petitioners impute the continuance of that immoderate prepossession in favor of foreign commodities which has been the principal cause of their distresses, and the subject of their complaint."

That innumerable manufacturing, shipping, trading, and commercial interests did, however, look upon the adoption of the Constitution as the sure guarantee that protection could be procured against foreign competition, is fully evidenced in the memorials laid before the Congress in April, May, and June, 1789, asking for the immediate enactment of discriminatory tariff laws.

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