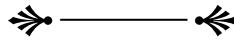


COMMERCE



Although the modern United States is the preeminent example of a nation dedicated to free enterprise and commercial activity, the relationship between republican government and commerce was one of the central problems that confronted the Founders in the late eighteenth century. In order to understand the Founders' attitudes toward commerce, we need to understand both the role that commercial activity played in the American colonies in the century before the Revolution, as well as the important arguments about the legitimacy of commercial societies that animated English and European thinkers in the two centuries before the American Founding.

The American colonies originated in part as commercial enterprises. From the first settlements in the early seventeenth century until the eve of the Revolution, British and European settlers saw America as a place where they could come and make a better life for themselves. By the mid-eighteenth century, the British colonies in America were prosperous places heavily engaged in production and trade. Although the population was still overwhelmingly rural, colonial farmers were increasingly engaged in commercial agriculture. In all regions, they produced more than was needed for subsistence, trading their surplus with other colonies as well as engaging in a growing transatlantic trade with Britain and Europe. The Southern colonies produced valuable staple crops for export (tobacco, rice, indigo, wheat); farmers in the Middle colonies had a flourishing agricultural economy which was also involved in trade with the wider world; and, by the eighteenth century, the New England colonies were building ships, selling timber, and trading produce with the British Caribbean sugar islands. As a result of these extensive Atlantic trading networks, all of the colonial economies grew enormously in the eighteenth century. In addition, the main colonial port cities—Boston, New York, Philadelphia, and Charles Town (Charleston)—grew in size and importance. This burgeoning commercial

society also had a large merchant class, with powerful and wealthy men like John Hancock in Boston involved in far-flung commercial ventures.

The pre-Revolutionary American colonies were also consumer societies that eagerly used their growing wealth to purchase goods from all over the world. And, as the Revolution approached, a growing number of white settlers not included in the political and economic elite were increasingly able to participate in this consumerism. Indeed, such was the widespread prosperity of these colonies that many modern historians have referred to them as the first middle class societies in the world.

All of this commercial activity, however, had a dark side. The Atlantic trade that the colonists engaged in with such profit was founded in part on the movement of African slaves to the New World. Once there, these slaves were responsible for producing the lucrative staple crops that the colonies sold to England and Europe in exchange for manufactured goods. In addition, the ever-expanding agricultural economy of the colonies depended on the removal of the Native American population from their lands.

Several strands of thought provided intellectual justification for the increasingly commercial world of the eighteenth-century British Atlantic. The long tradition of English common law stressed the importance of property rights, which it saw as central to liberty, and which it protected from arbitrary seizure by preventing governments from taking property without the subject's consent. By stressing the sanctity of person and property, the English common law provided a legal infrastructure which supported a commercial society.

Seventeenth-century English Puritanism also provided a justification of commercial activity. According to Puritanism, God wanted people to work hard and prosper. To do so was a sign that you were one of the "elect," destined to be "saved"



and not “damned.” This Puritan work ethic remained a powerful force in American life well past the Revolution.

The political theory of the English writer John Locke (1632–1704), and in particular his ideas about a natural right to liberty and property, also provided justification for a commercial society. Like the common law, it placed a value on the liberty of the person, including the liberty to engage in production and trade. In addition, Locke offered an elaborate theoretical defense of an individual’s right to property. According to Locke, individuals were not given property rights by the state; rather, they generated a right to private property by their own labor. Locke defended commercial societies based on private property by arguing that they produced greater wealth for all than did those societies which eschewed private property and exchange. By making this case, Locke helped to legitimize commercial activity in the face of age-old denunciations that it was sinful. Building on these seventeenth-century ideas, English people on both sides of the Atlantic in the eighteenth century increasingly viewed themselves as free, Protestant, and deeply commercial.

By the time of the Revolution, the American Founders had also encountered the ideas of an influential group of eighteenth-century Enlightenment writers who offered a sophisticated defense of commercial societies. The French writer Montesquieu (1689–1755) argued that commerce “cures destructive prejudices” by fostering peaceful trade among peoples rather than war. Many Scottish writers in the eighteenth century made a similar defense of commerce. They argued that commercial societies constituted the highest stage of civilization and were the most conducive to human well-being, fostering political and religious liberty, peaceful relations among nations, higher standards of living, science, and the arts. The moral philosopher and economist Adam Smith (1723–1790), writing in the same year as the American Revolution, argued that self-interest was beneficent, and that those who sought private wealth were simultaneously benefiting society. All of these thinkers celebrated the modern commercial world in which they lived as superior to previous ages which, they argued, were characterized by feudal and aristocratic inequality, constant warfare, and religious fanaticism.

However, the ideas that influenced the Founders were not all supportive of commerce. Christianity, even in its Puritan form, could be used to denounce moneymaking. In New England in the seventeenth century, the merchant Robert Keayne was put on trial on charges of usury. In the years after independence, this Christian critique combined in the Founders’ thought with that of the republican thinkers of Greece and Rome who shared a similar skepticism about commerce. They argued that a society dedicated to commerce and self-interest would produce citizens overly concerned

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with private matters and insufficiently attentive to the public good. These classical republican thinkers were particularly concerned about the political effects of luxury, worrying that liberty would be lost if people were too focused on the pursuit

of material gain. To the extent that republican thinkers defended property rights, they did so primarily as a means to the end of ensuring that there was an independent citizenry capable of acting for the public good. These classical ideas about the dangers of commerce to republican government influenced the Founders in the late eighteenth century. In particular, the ideas led some of them to be suspicious of the new institutions of commercial banking and public and private debt that supported the eighteenth-century commercial world.

The Revolution initially fostered these anticommercial sentiments in the colonial populace. In their attempts to harm the British economy, the colonies organized widespread nonimportation agreements in the 1760s and 1770s. Drawing on both the Christian and the classical republican critique of commerce, some colonists argued that this withdrawal from trade would also create a more virtuous citizenry, one less likely to succumb to luxury and self-interest. Writing his influential “Thoughts on Government” in 1776, a guide for lawmakers in the newly independent republican state governments, John Adams openly called for legal restrictions on consumption (called “sumptuary laws” in the eighteenth century), arguing that “the happiness of the people might be greatly promoted by them.”

Following the Revolution, the experience of both the new state governments and that of the Continental Congress operating under the Articles of Confederation brought these questions about

the relationship between republican governments and commercial activity to the fore. By ending the old British trading system, the Revolution also ushered in a debate about the commercial relations between the United States and the rest of the world.

The newly independent United States faced severe economic difficulties in the 1780s. The states found themselves with limited access to the lucrative British markets. They also owed money to those who had financed the war. But the Continental Congress lacked the legal power to compel the state governments to agree on a common commercial policy. It also lacked the authority to requisition the taxes necessary to pay off the Revolutionary War debt from the state governments. Robert Morris, who served as Congress' superintendent of finance from 1781–1783, was reduced to pleading with the state governors to send money to the national government.

The war had also left the individual states with large debts to repay. In order to pay these debts off, many states raised taxes and issued paper money that rapidly depreciated. In addition, many of the states began to interfere with the free movements of goods within the United States.

The drafting of the new Constitution in Philadelphia in 1787 set out to address the economic problems of the 1780s by creating a national government that would have the authority to impose taxes, regulate foreign trade, and, most importantly, create a common commercial policy between the various state governments. In the *Federalist Papers*, James Madison and Alexander Hamilton, the most prominent defenders of the new Constitution, argued forcefully that the federal government needed these expanded powers in order to create a large free trading area within the continental United States. They, along with their coauthor John Jay, also argued for a vigorous commercial policy to open up markets for foreign trade.

In making these arguments, the framers were heavily influenced by the Enlightenment defense of commerce discussed above. The Framers further argued that republican government, by allowing both political and economic freedom, would foster virtuous behavior in its citizens. Freed from the burden of supporting monarchs and aristocrats, ordinary people in a republic would have the incentive to be industrious and productive, secure

in the knowledge that they would be able to reap the benefits of their labor.

Although the new Constitution laid the groundwork for an extended commercial republic, it did not end the debates among the Founders over the legitimacy of commerce. In the 1790s, the Federalists argued for a government-led program of commercial expansion, involving investments in infrastructure as well as the creation of a national banking system. However, the Democratic-Republican Party under Thomas Jefferson was much more divided on the merits of commercial republicanism. One strand of Jeffersonian thought was skeptical of extensive commercial activity, preferring instead a society of independent yeoman farmers whose landed status would give them a secure material base for republican

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citizenship. In making this argument, the Jeffersonians echoed the republican thinkers of antiquity who valued landed property over commercial property because it alone enabled the virtuous citizen to act in the public interest. This aspect of Jeffersonian thought was also skeptical of manufacturing and wage labor, fearing that a populace engaged in such pursuits would not be able to obtain the independence required of republican citizens. Finally, Jeffersonians were very concerned about the modern institutions of banking and public and private debt, fearing that they would enable powerful men to undermine republican government by setting up an aristocracy of money.

However, Jeffersonian thought also had a strong laissez-faire element, one that became increasingly important as the eighteenth century came to a close. Although still preferring commercial agriculture over manufacturing, Jeffersonians were ardently in favor of free labor, free trade, and free markets. On this view, commerce was a liberating, even equalizing force, allowing the common people to benefit from the fruits of their own labor. In addition, this Jeffersonian policy of laissez-faire was very skeptical of the Federalist plans for extensive state-directed commerce, preferring instead to let individuals make their own economic decisions. This element of the Jeffersonian attitude toward commerce expressed the powerful desire of the American populace for material improvement, a desire which had deep roots in the colonial past.

Jefferson's election in 1800 did not end these debates about the propriety of commercial activity. Most Americans agreed that republican liberty included the right to own property and to enjoy the fruits of one's labor. However, as Jefferson's "empire of liberty" expanded west, this vision of free men and free labor clashed with the institution of slavery as it became an increasingly profitable form of commercial activity, and one that was sometimes defended as an expression of the

American commitment to private property. Along with the relationship between slavery and free labor, the question of the place of manufacturing in a republican society, the role of banks, the issue of free trade, and the desirability of state intervention in the economy remained pressing questions in the increasingly commercial United States well into the nineteenth century.

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