

# Seattle University School of Law Digital Commons

---

Faculty Articles

Faculty Scholarship

---

2014

## The Anti-Federalists' Toughest Challenge: Paper Money, Debt Relief, and the Ratification of the Constitution

George Van Cleve

Follow this and additional works at: <https://digitalcommons.law.seattleu.edu/faculty>



Part of the [Law Commons](#)

---

### Recommended Citation

George Van Cleve, The Anti-Federalists' Toughest Challenge: Paper Money, Debt Relief, and the Ratification of the Constitution, 34 *J. Early Republic* 529 (2014).

<https://digitalcommons.law.seattleu.edu/faculty/823>

This Article is brought to you for free and open access by the Faculty Scholarship at Seattle University School of Law Digital Commons. It has been accepted for inclusion in Faculty Articles by an authorized administrator of Seattle University School of Law Digital Commons.

---

---

# The Anti-Federalists' Toughest Challenge

Paper Money, Debt Relief, and the Ratification of the Constitution

GEORGE WILLIAM VAN CLEVE

---

---

During the mid-1780s many American states actively managed their economies in the face of widespread financial and social instability following the Revolutionary War. Seven states authorized paper money emissions, and there were unsuccessful efforts to obtain them in others. Several states adopted extensive debtor-relief measures. Some historians of these state anti-recession measures conclude that such efforts to fight deflation, increase money circulation, and protect debtors were beneficial for various reasons. But despite that, the Constitution, as contemporaries understood it, abrogated state powers to issue paper money or provide debtor relief such as property tender laws in Article I, Section 10. Terry Bouton writes that Section 10 “left a host of popular policies in ruins—all in less than fifty words. . . . [it] created a tidal shift in power that favored the interests of moneyed Americans (and European

---

George William Van Cleve is Research Professor in Law and History, Seattle University School of Law, and recently was Visiting Professor (Hon.), History, University of Kent (Canterbury, UK). He thanks David Waldstreicher, Woody Holton, Max Edling, Peter Onuf, and the anonymous readers for *JER* for their perceptive and helpful comments. He also thanks Joshua Getzler, Michael R. T. Macnair, Perry Gauci, and Thomas Gallanis for their suggestions about a version of this article presented to the Oxford Legal History Forum. He is grateful to his wife Mary for her support and advice. Finally, he thanks research assistants Amy Whiting Riedel and Emily Fox, and A. Robert Menanteaux of the SU Law School Library, for their diligent efforts.

financiers) over ordinary Americans.” Moreover, contemporary observers saw Section 10 as a major weakening of state sovereignty.<sup>1</sup>

Nevertheless, Anti-Federalists in the eleven originally ratifying states were often silent on Section 10 despite Federalist claims that it was one of the Constitution’s most important provisions. However, they did make various attacks tailored to local circumstances. For example, some Anti-Federalists argued that it harmed states; others, that it was also bad policy that favored the wealthy and would hurt ordinary citizens. Ultimately, though, Anti-Federalists did not propose a single amendment to change its key provisions in any of the thirteen states. What light can this sharp disparity between widespread support for economic management and the remarkably constrained public opposition to Section 10 shed on Anti-Federalism and the ratification of the Constitution? Past answers to this question have usually depended heavily on a historian’s perspective on what was at stake, who the Anti-Federalists were, and what they stood for.<sup>2</sup>

---

1. Terry Bouton, *Taming Democracy: “The People,” the Founders, and the Troubled Ending of the American Revolution* (Oxford, UK, 2007), 178. For influential views of this period see Merrill P. Jensen, *The New Nation: A History of the United States during the Confederation, 1781–1789* (New York, 1950); Richard B. Morris, *The Forging of the Union* (New York, 1987). See Thomas K. McCraw, *The Founders and Finance* (Cambridge, MA, 2012), 375n4, for sources on economic conditions. States issuing paper currency were Rhode Island, New York, Pennsylvania, New Jersey, North Carolina, South Carolina, and Georgia. Edwin J. Perkins, *American Public Finance and Financial Services, 1700–1815* (Columbus, OH, 1994), 143. John P. Kaminski, *Paper Politics: The Northern State Loan-Offices During the Confederation, 1783–1790* (New York, 1989); Perkins, *American Public Finance*; Jensen, *New Nation*. Constitution ended state powers: Charles Cotesworth Pinckney, *Columbian Herald* (Charleston, SC), Feb. 14, 1788, in *The Documentary History of the Ratification of the Constitution*, ed. Merrill Jensen et al. (26 vols., Madison, WI, 1976–) (hereafter DHRC) 13: 274n1. State sovereignty impaired: Antoine de la Forest to Comte de Montmorin, Sept. 28, 1787, DHRC 13: 259.

2. Mary M. Schweitzer, “State-Issued Currency and the Ratification of the U.S. Constitution,” *Journal of Economic History* 49 (June 1989), 320–21; Jackson Turner Main, *The Anti-federalists: Critics of the Constitution, 1781–1788* (1961; repr. New York, 1974), 165–67, 267–78. J. Willard Hurst, *A Legal History of Money in the United States, 1774–1970* (Lincoln, NE, 1971), 9. North Carolina proposed an amendment to protect its existing paper money, DHRC 18: 319, 25 (reaffirmed during ratification), as did Rhode Island, DHRC 26: 979.

Charles A. Beard, for example, famously asserted that economic forces played a central role in the Constitution's creation. On ratification, his primary conclusion was that "personalty" property owners and their allies engaged in rent-seeking were its main supporters, while those who lacked property or had other forms of it, including many paper money supporters, were its principal opponents. For Beard, Section 10 was central to ratification. He contended that popular forces lost largely because the process was illegitimate. He argued that ratification's franchise was unrepresentative; that the convention process and media were manipulated by Federalists to prevent a fair contest; and that some delegates and states accepted the Constitution due to extraneous considerations such as economic coercion. Later historians advanced other explanations for ratification, including social, generational, ideological, and state-building theories, and were thus far less interested in the controversy over Section 10.<sup>3</sup>

Pauline Maier's ratification history avoids taking sides in that historiographical debate. Instead, she begins by canvassing various process arguments, many similar to Beard's, and endorses some, such as Federalist media dominance and pressure to rush to judgment. Maier's work shows that groups generally favoring the Constitution included city residents, commercial interests, and large federal creditors. Though she describes Anti-Federalism as a spectrum of opinions, Maier portrays ratification not as a series of conflicts between different social or economic groups but instead as a series of largely distinct contests between shifting interest groups, often influenced by local concerns. Particularly on the paper money issue, with the exceptions of Rhode Island and North Carolina, she repeatedly notes the lack of debate over it without offering any explanation, implying that it played little role nationally. As a result, her work

---

3. Charles A. Beard, *An Economic Interpretation of the Constitution of the United States* (1913; repr. New York, 1941), 50–51, 237–38, 250–52. For a critique, see Forrest McDonald, *We the People: The Economic Origins of the Constitution* (Chicago, 1958). For the contention that ratification is better understood as a "complex social phenomenon and communicative process," see Jürgen Heideking, *The Constitution before the Judgment Seat: The Prehistory and Ratification of the Constitution, 1787–1791*, ed. John P. Kaminski and Richard Leffler (Charlottesville, VA, 2012), 3. For the historiography, see the thoughtful review and analysis of Pauline Maier, *Ratification: The People Debate the Constitution, 1787–1788* (New York, 2010) in Michael Klarman, "The Founding Revisited," *Harvard Law Review* 125 (Dec. 2011), 553–54.

adds relatively little to our understanding of ratification's economic dimensions.<sup>4</sup>

Studies of ratification by Saul Cornell and David Waldstreicher provide additional insight into the nature of Anti-Federalism. They show that during the 1780s those who later became Anti-Federalists characteristically sought to defend a series of localist values including state sovereignty and communitarian, consensual democratic governance. The states' adoption of paper money exemplified such values, Waldstreicher argues. From this perspective, ratification was a clash over whether conflicting values that served elite social and economic interests, such as those embodied in Section 10, would become politically and culturally hegemonic.<sup>5</sup>

Woody Holton and Terry Bouton offer alternative explanations for ratification and Section 10's fate focused on the battle over popular support for economic reforms. Holton's primary claim is that popular forces lost because the Constitution offered major state tax relief and bondholder repayment—which bought off opponents while rewarding friends, thus neutralizing the paper money issue. Bouton claims that popular forces were sold out by elite Anti-Federalists who were often corrupted by the Constitution's financial inducements, preventing strong opposition.<sup>6</sup>

---

4. Maier, *Ratification*: media dominance, 70–95; rush to judgment, 97–107. Anti-Federalists, spectrum, 93. Paper money, 160, 189, 208; in Rhode Island: 224; North Carolina, 415–19. For the social groupings in Maier's treatment, see Klarman, "The Founding Revisited," 556–57.

5. Saul Cornell, *The Other Founders: Anti-Federalism & the Dissenting Tradition in America, 1788–1828* (Chapel Hill, NC, 1999). David Waldstreicher, *In the Midst of Perpetual Fetes: The Making of American Nationalism, 1776–1820* (Chapel Hill, NC, 1997), 63–64, 86–90; David Waldstreicher, *Slavery's Constitution: From Revolution to Ratification* (New York, 2009), 110–13, 123–51, passim. Cornell usefully divides Anti-Federalists into three broad socioeconomic categories—back-country farmers and artisans; the "middling sort"; and elite politicians—with distinctive perspectives and claims. Cornell, *Other Founders*, 48–49, 61–65, 81–87.

6. Woody Holton, *Unruly Americans and the Origins of the Constitution* (New York, 2007), 249–51, 227–43 and 14–16, 57–61. Heideking thinks fear of federal taxation and loss of paper money motivated many Anti-Federalists. Heideking, *Constitution*, 249–50. Bouton, *Taming Democracy*, 188–92. Main concluded that Anti-Federalists were silent because they were divided. Main, *Anti-federalists*, 267–78. Other explanations rely on perceptions of paper money or the rise of

To summarize, histories of ratification differ markedly on whether the fight over Section 10 was central or peripheral to its outcome. They examine claims about Federalists' corruption of the process and agenda that some argue explain why Section 10 (or the Constitution) survived ratification. But despite disagreements, they commonly assume that no state-level change in the politics of paper money had occurred before the Constitutional Convention.

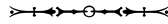
This article reexamines the politics of paper money and the Anti-Federalists' response to Section 10, and argues instead that they were intimately connected and provide considerable insight into the Anti-Federalists' loss. In three of seven states that adopted paper money laws—Pennsylvania, New York, and New Jersey—their popularity was limited, so they could be adopted only by “strange bedfellow” coalitions that included public creditors. Opposition to paper money laws then increased in Pennsylvania and was strongly reinforced elsewhere for two reasons. Such laws became imbricated in a wider struggle over the limits of republican majoritarianism and were badly tarred by what many contemporaries viewed as Rhode Island's egregious abuses. The Constitution's tax provisions then fractured earlier coalitions in the three mid-Atlantic states by sharply improving federal bondholders' prospects of full payment.

The widely varying Anti-Federalist responses to Section 10 (which even included some support) did not happen because Anti-Federalist leaders were self-interested, or because they or their followers had changed their views. Nor did they occur because on that issue Federalists had manipulated the ratification process or distorted the public agenda. Instead, the Anti-Federalists' behavior strongly suggests that they concluded that in attacking Section 10 they were on treacherous ground and that their cause would not benefit—and might even lose support—from aggressively advocating what had become an unpopular position in a clear majority of states. The Anti-Federalists made the strongest challenge possible in very difficult circumstances.

---

commercial banking. Charles W. Calomiris, “Institutional Failure, Monetary Scarcity, and the Depreciation of the Continental,” *Journal of Economic History* 48 (Mar. 1988), 47–68; Calvin Johnson, *Righteous Anger at the Wicked States: The Meaning of the Founders' Constitution* (Cambridge, UK, 2005), 208; Robert E. Wright, *The Origins of Commercial Banking in America, 1750–1800* (Lanham, MD, 2001), 85–86; Schweitzer, “State-Issued Currency.”

The article begins by describing American colonial paper money issuance. It then offers a systematic comparison of key features of the differing politics of the paper money laws adopted in various states. Next, it considers how and why the Constitution's state paper money ban was adopted. The final section provides new evidence on the ratification debate over paper money followed by conclusions.



During the eighteenth century, American colonies issued several forms of paper money, a process then commonly called emitting bills of credit. There were two major types of emission. The first involved bills of credit that today might be called “tax anticipation notes,” a form of government borrowing often referred to by later historians as “currency finance.” Such bills circulated as a form of money. The second type was a colonial “loan-office” (or “land banking”) program, in which bills of credit issued by a colony were appropriated for use by its government loan office, which used them to fund loans made to borrowers. The bills were then useable as currency. On a case-by-case basis, the British government permitted colonies to issue both forms of paper money before about 1750.<sup>7</sup>

By 1751, however, Rhode Island's excessive issuance of paper money caused complaints—from merchants and other colonies—that led Parliament to clamp down. The Currency Act of 1751 barred future issuance of “any Paper Bills or Bills of Credit, of any Kind or Denomination whatsoever,” by any New England colony except to meet “Emergencies of Government, in case of War and Invasion,” and to provide “current Service” government operating funds. Future bill issues had to be backed by “ample and sufficient” tax sinking funds and called in within five years at most. Bills could not be made legal tender for payment of any private debt (e.g., a mortgage). In 1764, Parliament extended even

---

7. For the colonial history see Leslie V. Brock, *The Currency of the American Colonies, 1700–1764: A Study in Colonial Finance and Imperial Relations* (New York, 1975) (different types of bills, 18–20); Joseph Albert Ernst, *Money and Politics in America, 1755–1775* (Chapel Hill, NC, 1973). For “currency finance,” see E. James Ferguson, *The Power of the Purse: A History of American Public Finance, 1776–1790* (Chapel Hill, NC, 1961), 10. Merchants also issued private payment notes (usually called “bills of exchange”), and these circulated as an important form of currency.

more stringent currency regulation to all American colonies, providing that they could not issue paper money as legal tender for either public or private debts (a restriction modified in 1773).<sup>8</sup>

Some prominent American eighteenth-century leaders, such as Benjamin Franklin, regarded paper money emissions, particularly for land bank purposes, as successful ways to stabilize colonial economies. Others regarded them either as inherently damaging to creditors or as susceptible to abuse. British and American merchants interested in the financial effects of such paper money proposals sometimes supported and sometimes opposed them. British policy vacillated depending on colonial and merchant politics. But during the late eighteenth century, issuing paper money for various public purposes subject to appropriate conditions (such as a dedicated tax fund for repayment) was a widely accepted tool of economic policy in the American colonies.<sup>9</sup>

The mid-1780s paper money laws were often popular. Jackson Turner Main's data show that on average paper money and debt-relief laws received support from about 58 percent of legislators in the states he surveyed. But these averages conceal fundamentally important variations between the states. In some, such as South Carolina, the laws had a high level of public support, including most merchants. In others, such as North Carolina and Rhode Island, there was majority legislative support for paper money but also vocal minority opposition and obstruction, often from merchants. In three others—Pennsylvania, New York, and New Jersey—public opinion was sharply divided, and urban merchants were strongly opposed.<sup>10</sup>

States that adopted paper money also differed over whether it was made legal tender, an often controversial issue. Though it would be mistaken to reduce this era's conflicts to debtor-creditor clashes, Main's work shows that states took significantly different approaches to debt problems as well. Some paper states also stayed debt enforcement or

---

8. "An Act to Regulate and Restrain Paper Bills of Credit. . .," *The Statutes at Large from Magna Charta to 1763*, Vol. 7 (London, 1769), 403–404. Ernst, *Money and Politics*, 40–41. Designating bills as "legal tender" meant that they could be used to pay private debts without creditors' consent, not just public debts such as taxes.

9. Perkins, *American Public Finance*, 39.

10. Jackson Turner Main, *Political Parties before the Constitution* (Chapel Hill, NC, 1973), Table 12.6, votes 4–6, 336–38 (surveying four to six states' votes).



allowed debtors to tender property in payment of money debts. Other states such as Virginia refused to adopt paper money but provided major debt relief. At the spectrum's other end, Massachusetts steadfastly refused to adopt either type of measure. The following discussion of state politics focuses on key differences that became important during ratification.<sup>11</sup>

In response to widespread popular unrest, in 1785 South Carolina created a land bank system that made loans using state paper money. It issued £100,000 in currency, which was not made legal tender. Unlike merchants in many states, South Carolina merchants were generally supportive of the paper currency, and sources suggest it held its value reasonably well. The state also provided broader relief by enabling debtors to tender real property to creditors in lieu of paying debts in money, through a law commonly called the "Pine Barren Act." State leaders justified their actions on the basis that democratic majorities had power to take necessary actions to protect the public good. The Speaker of the South Carolina House of Representatives, John Julius Pringle, said, "*Vox Populi Vox Dei*. . . . The ends and purposes of government implicitly give . . . a right to modify and supercede such contracts when the good of the community requires."<sup>12</sup>

In Georgia, an £50,000 paper emission was authorized in August, 1786, to relieve a currency shortage and finance a possible war with the

---

11. Four of the seven states—New Jersey, Georgia, Rhode Island, and North Carolina—granted legal tender status. Schweitzer, "State-Issued Currency," 312; Main, *Political Parties*, 335. For debtor-creditor conflicts, see Main, *Political Parties*, 60–66. For Virginia debtor protection, see Emory G. Evans, "Private Indebtedness and the Revolution in Virginia, 1776 to 1796," *William and Mary Quarterly* 28 (July 1971), 349–74. For Massachusetts, see Roger H. Brown, *Redeeming the Republic: Federalists, Taxation, and the Origins of the Constitution* (Baltimore, 1993), 113–19; Leonard L. Richards, *Shays's Rebellion: The American Revolution's Final Battle* (Philadelphia, 2002).

12. Robert A. Becker, "Salus Populi Suprema Lex: Public Peace and South Carolina Debtor Relief Laws, 1783–1788," *South Carolina Historical Magazine* 80 (Jan. 1979), 74. Walter Edgar, *South Carolina, A History* (Columbia, SC, 1998), 247. Holton, *Unruly Americans*, 113. McDonald, *We the People*, 388. The use of the symbol "£" in this article means "pound" but refers in each instance only to whichever state's currency is being discussed; i.e., £1,000 in a discussion of South Carolina means 1,000 South Carolina pounds.

Creek Indians. The legislature was sharply divided on it, and low-country residents and others distant from the Indian threat tended to oppose it. Only £30,000 was actually issued; it was secured by projected sales of lands still held by Indians. Many Savannah merchants and mechanics agreed not to accept the paper money despite its legal tender status. It quickly lost value, falling to four-to-one against specie by 1787. Its legal tender status was revoked as of 1790.<sup>13</sup>

Merrill Jensen describes the contest over the North Carolina 1785 emission as “a clear cut fight between debtor farmers and planters on the one hand, and the merchants and a few wealthy planters on the other” that resulted in a “sweeping victory for the debtors.” The £100,000 emission was made legal tender. The emission’s management was a tragedy of errors. The state used a third of the money to buy tobacco for resale, but instead had to resell it for a fraction of what it had paid. Merchants refused to take the paper money; some even developed their own currency. Merchant resistance was so strong that sometimes use of paper money by those regarded as “evil-minded” persons led to “broken heads.” State officials and private citizens responsible for the money were charged with corruption. Jensen concludes that “the combination of corruption, opposition, and depreciation gave the state’s currency almost as bad a reputation as that of Rhode Island.”<sup>14</sup>

The politics of paper money were qualitatively different, however, in Pennsylvania, New York, and New Jersey. In them, even moderate economic relief programs could be adopted only by creating coalitions. Following is a sketch of these states’ paper money politics.<sup>15</sup>

In Pennsylvania, in 1784 there were unsuccessful efforts to legislate state paper money, but it would not have helped public creditors. In

---

13. Kenneth Coleman, *The American Revolution in Georgia, 1763–1789* (Athens, GA, 1958), 214. George R. Lamplugh, *Politics on the Periphery: Factions and Parties in Georgia, 1783–1806* (Newark, DE, 1986), 54. Jensen, *New Nation*, 323.

14. Jensen, *New Nation*, 319–20; James R. Morrill, *The Practice and Problems of Fiat Finance: North Carolina in the Confederation, 1783–1789* (Chapel Hill, NC, 1969), 68–69; Jensen, *New Nation*, 320.

15. For a detailed history of paper money controversies in these states, see Kaminski, *Paper Politics*. For this coalition analysis, I am indebted to Perkins, *American Public Finance*, 144.

1785, the Constitutionalist party-dominated Pennsylvania legislature authorized a currency issue of £150,000. The bill created a loan office that would loan about one-third of the paper money to borrowers. Two-thirds of Pennsylvania's issue was designated to pay interest on the state's securities, which included assumed federal debts owed to residents.<sup>16</sup>

The limited loan office funding led to questions about why the state was issuing paper money when its main purpose seemed to be to enrich speculators. Others complained that its real purpose was "throwing a tub to the whale, to keep us quiet, and to get hold of the money to pay your own certificate interest." Philadelphia's influential merchants adamantly opposed the entire bill. Despite these challenges, a motley coalition passed it. One historian concluded that "the legislation . . . represented a deal between creditors, paper money advocates, and land speculators." Pennsylvania would not have adopted paper money without this coalition agreement.<sup>17</sup>

Legislators voted nearly unanimously against making the money legal tender. They rejected efforts to provide broad debt relief like that in South Carolina. By large majorities, they raised taxes and tightened tax collection to ensure that the paper money could be retired. Pennsylvania's economic program thus occupied what some viewed as a traditional and sorely disappointing middle ground.<sup>18</sup>

Pennsylvania's paper money emission led unexpectedly to a heated legislative debate over whether to revoke the charter of the private Bank of North America founded by Robert Morris. That debate raised concerns over the power of republican majorities that gave it an important political dimension beyond its role in the contemporary dialogue on interestedness and civic virtue analyzed by Gordon Wood. As a result,

---

16. Bouton, *Taming Democracy*, 91–92; Robert L. Brunhouse, *The Counter-Revolution in Pennsylvania, 1776–1790* (1942; repr. Harrisburg, PA, 1971), 131–32, 151.

17. *Pennsylvania Evening Herald* (Philadelphia), Mar. 5, 1785; Roland M. Baumann, "'Heads I Win, Tails You Lose': The Public Creditors and the Assumption Issue in Pennsylvania, 1790–1802," *Pennsylvania History* 44 (July 1977), 198. *Pennsylvania Packet and Daily Advertiser* (Philadelphia), Feb. 24, 1785; *ibid.*, Mar. 1, 1785.

18. Pennsylvania General Assembly, *Minutes of the Second Session of the Ninth General Assembly* (Philadelphia, 1785), 195–206. Bouton, *Taming Democracy*, 135–36.

it significantly widened the controversy over paper money not just in Pennsylvania but around the country.<sup>19</sup>

The Bank's opponents saw its operations as a powerful enemy of state paper money, which they believed prevented it from trading at par. They argued that they could revoke its charter in the public interest because "the happiness of the people is the first law." Westmoreland Constitutionalist party legislator William Findley had spearheaded the fight for paper money and was a principal leader in the charter debate. He argued that as an institution that created wealth outside public control the Bank was fundamentally incompatible with democracy, not just with state paper money. It was "an unlimited institution . . . for the sole purpose of increasing [private] wealth" and therefore "democracy must fall before it." At least 87 percent of the legislators who supported paper money also supported the successful effort to revoke the Bank charter.<sup>20</sup>

In response, longtime Constitutionalist ally Thomas Paine broke ranks with them. Paine had opposed Robert Morris on various issues, and had written as recently as early 1785 that "there may be cases in which paper money may be generally serviceable." Now he attacked both the charter revocation and paper money as violative of republican principles. Paine argued that a first principle of republican government is that in forming it the people renounce their right of "breaking and violating their engagements, compacts and contracts" with each other. Interference with contracts such as the charter was therefore unconstitutional. He attacked paper money as an artificial political creation that would inevitably harm honest laborers, reserving particular scorn for legal tender laws, a "most presumptuous attempt at arbitrary power."<sup>21</sup>

---

19. For Wood's profile of Pennsylvania legislator William Findley as a representative Anti-Federalist and the Bank debate, see Gordon S. Wood, "Interests and Disinterestedness in the Making of the Constitution," in *Beyond Confederation: Origins of the Constitution and American National Identity*, ed. Richard Beeman, Stephen Botein, and Edward C. Carter II (Chapel Hill, NC, 1987), 69–109.

20. Pennsylvania General Assembly, *Debates and Proceedings . . . on the . . . Charter of the Bank* (Philadelphia, 1786), 22, 66. Pennsylvania General Assembly, *Minutes of the Second Session*, 204, 212, 367.

21. Thomas Paine to Thomas Fitzsimmons, Apr. 19, 1785, reprinted in *Pennsylvania Gazette* (Philadelphia), Dec. 21, 1785. Thomas Paine, *Dissertations on Government, the Affairs of the Bank, and Paper-Money* (Philadelphia, 1786), 7–9,

Paine's essay was published in mid-February, 1786. Within four months, its attack on paper money was excerpted in at least a dozen newspapers from New Hampshire to South Carolina. The newspapers linked Paine's views to his patriotic stature by attributing the essay to the "author of Common Sense." It elicited replies from leading paper money advocates in New Jersey, as well as vitriolic attacks on Paine's character, including claims that he had been bought. The essay provided a republican rationale for a constitutional ban on contract impairment, and reframed paper money as a form of contract abuse. It was a highly visible riposte to repeated 1780s claims that the will of republican majorities should always govern and that that principle justified paper money and debtor relief.<sup>22</sup>

A backlash against the Pennsylvania legislature's actions began almost immediately. In the Fall, 1785 assembly elections, fifteen out of seventeen members of the Philadelphia area and Chester County delegations were replaced. Unlike their predecessors, nearly all of the new legislators were supporters of Robert Morris and the Bank and opponents of paper money. This trend continued in the 1786 elections, which gave conservatives a narrow majority. A contemporary observer interpreted the results this way: "the late returns of Assemblymen . . . fully evinces that the Bank of North America has recovered its popularity, and that paper money has lost its credit throughout the state. On these two points the late general election turned in every county."<sup>23</sup>

---

45, 46–48 (quotes on 8, 46). Background: Eric Foner, *Tom Paine and Revolutionary America* (1976; repr. Oxford, UK, 2005), 197–203.

22. Paine's paper money attack: e.g., *New York Packet*, Mar. 6, 1786; *Massachusetts Centinel* (Boston), Mar. 15, 1786; *State Gazette of South-Carolina* (Charleston), Apr. 3, 1786; *Connecticut Journal* (New Haven), Apr. 20, 1786; *The United States Chronicle* (Providence, RI), May 18, 1786; *New Hampshire Gazette and General Advertiser* (Portsmouth), June 8, 1786. Response: *The Political Intelligencer and New-Jersey Advertiser* (New Brunswick), May 3, 1786. Paine was charged with having been paid for his attack, a charge he vigorously denied and for which no substantial evidence has ever been offered. See Paine's letter to the *Pennsylvania Packet* (Philadelphia), Apr. 4, 1786.

23. *Independent Gazetteer*, Nov. 27, 1786, quoted in M. L. Bradbury, "Legal Privilege and the Bank of North America," *The Pennsylvania Magazine of History and Biography* 96 (Apr. 1972), 164; Janet Wilson, "The Bank of North America and Pennsylvania Politics: 1781–1787," *The Pennsylvania Magazine of History and Biography* 66 (Jan. 1942), 26.

The paper money controversy in New York strongly resembled that in Pennsylvania. The state Assembly passed a loan-office bill in 1785, but it was blocked by the elite state Senate. Merchants hoped that the Bank of New York would provide sufficient credit. But as in Pennsylvania, rural interests saw the Bank as unhelpful if not downright hostile to their interests because it did not provide credit to them.<sup>24</sup>

In 1786, with Governor George Clinton's support, a coalition persuaded the legislature to approve £200,000 in paper currency. This was twice the size of the 1785 proposed emission, at least in part because it now included funds to pay certain public creditors to gain needed support. Though it is doubtless true, as John Kaminski concludes, that there was some support for paper money throughout the state, in reality support and opposition were geographically highly concentrated. Ernest Spaulding found that the 1786 voting showed that as in 1785, the "hard-money party was located in the southern commercial and maritime counties [in and around New York]; and allied with them was Albany County with its little commercial city and, in all probability, its great landholders." Spaulding's conclusion is strongly supported by voting patterns for the controversy's most contentious aspect, legal tender status.<sup>25</sup>

The legislature rejected making the currency legal tender. New York's Chamber of Commerce merchants had submitted a lengthy memorial to the Legislature attacking legal tender status as a fraud, "replete with injustice and impolicy" that would be "fatal to commerce." They made clear that their willingness to accept paper money depended on whether they would be forced to accept it. The Assembly divided nearly evenly on the issue, with legislators from New York County, its environs, and Albany County voting against it by a 78 percent majority, while 86 percent of those from remaining areas supported it. A proposal like South Carolina's property tender law was overwhelmingly rejected. Debtors were instead permitted to tender paper money to most creditors who sued them, probably deterring some claims. The margin of victory was

---

24. E. Wilder Spaulding, *New York in the Critical Period, 1783-1789* (New York, 1932), 144-48. Arthur Pendleton Hall II, "State-issued Bills of Credit and the United States Constitution: The Political Economy of Paper Money in Maryland, New York, Pennsylvania, and South Carolina, 1780-1789," PhD diss., University of Georgia, 1991, 192.

25. Spaulding, *New York Critical Period*, 148. *Journal of the Assembly of the State of New-York . . . Eighth Session* (New York, 1785), 145.

provided by legislators who had opposed legal tender. Legislative divisions over how much debtor relief to provide strongly foreshadowed later divisions over the Constitution.<sup>26</sup>

The New York legislation was also a coalition compromise needed to win passage. One-fourth of the new issue was to be used to pay interest on public securities, with the remaining three-quarters to be used to fund loans from the loan office that would primarily benefit farmers and land speculators. The state also agreed to assume responsibility for about 30 percent of the total federal debt held by New York citizens. Kaminski finds that unlike the assumed federal debt, which was “held by approximately half of the state’s voters,” the remaining *unassumed* federal debt was “owned by a couple hundred wealthy, and generally anti-Clinton, New Yorkers.” He concludes that “Clinton and the paper money men were seeking support for their measures while attempting to divide the interests of the public creditors.”<sup>27</sup>

New Jersey’s paper money politics were similarly divisive. Prosperous citizens like leading lawyer William Paterson thought that republicanism meant no “levelling” politics, and hence no paper money. “True” republicans, however, thought very differently. As one wrote, in a “republican government . . . the people (the majority of the people) bear rule, and it is for them to determine w[h]ether a proposition is *unjust*.” The General Assembly paper money leader, Abraham Clark, wrote that government should “help the feeble against the mighty,” prevent detrimental inequality of property, and protect land-backed emissions of legal tender paper, because without them New Jersey would “sink back into poverty and abjection” and the people would be at the mercy of “greedy dogs.”<sup>28</sup>

New Jersey’s farmers were a large majority of the state’s voters, and many wanted legal tender paper money. Supporters insisted that a loan office would provide a needed “domestic circulating medium.” Merchant

---

26. “Memorial and Petition of the Corporation of the Chamber of Commerce,” *New York Packet*, Mar. 6, 1786. *Journal of the Assembly of the State of New-York . . . Ninth Session* (New York, 1786), 53–54, 57–58, 68. Hall, “State Issued Bills,” 196–97.

27. Kaminski, *Paper Politics*, 148; McDonald, *We the People*, 294.

28. Richard P. McCormick, *Experiment in Independence: New Jersey in the Critical Period, 1781–1789* (New Brunswick, NJ, 1950), 71, 73 (italics original). Ruth Bogin, “New Jersey’s True Policy: The Radical Republican Vision of Abraham Clark,” *William and Mary Quarterly* 35 (Jan. 1978), 100–109, quote 106.

and financial interests opposed it, arguing that merchants would be “totally ruined” by it. As in New York, supporters argued in response that if paper money ruined merchants because they were unable to trade in specie, that would be good for the state since domestic manufactures and sales of country produce would grow.<sup>29</sup>

In mid-1786, the loan-office bill was adopted. The Legislative Council (the legislature’s upper house) had initially rejected it before agreeing to it by a one-vote margin. The General Assembly had divided sharply before agreeing that the paper money should be legal tender. Virginia Congressman William Grayson, who became a leading Anti-Federalist, wrote to James Madison about the law: “This same Jersey bill was one of the most iniquitous things I ever saw. . . . If Lord Effingham is right that an act against the Constitution is void, surely paper money with a tender annexed to it is void, for it is [*sic*: is it] not an attack upon property, the security of which is made a fundamental in every State in the Union.”<sup>30</sup>

The legislature’s sharp divisions required compromise between paper money supporters and public creditors before the law could be passed. The day after passage, the legislature adopted a report proposing added revenues to pay interest on public securities, the “overwhelming bulk” of which were held in northern New Jersey. One historian concludes that this was part of a compromise agreement; another finds that interest on residents’ federal securities was paid using loan-office bills.<sup>31</sup>

Rhode Island’s actions in 1786–87 hardened public sentiment against paper money and related debtor relief. It passed loan bank legislation with legal tender currency in 1786. Pauline Maier writes that the law was intended to counter deflation and “meant to allow people to pay their

---

29. “Willing to Learn,” Dec. 21, 1785, *The Political Intelligencer and New-Jersey Advertiser* (New Brunswick); Curtius, in *ibid.*, Jan. 4, 1786. Jensen, *New Nation*, 322.

30. William Grayson to James Madison, Mar. 22, 1786, in *The Papers of James Madison* Vol. 8, ed. William T. Hutchinson and William M. E. Rachal (Chicago, 1973), 509. New Jersey General Assembly, *Votes and Proceedings of the Tenth General Assembly of the State of New-Jersey . . . Second Sitting* (Trenton, NJ, 1786), 80, 82, 83; McCormick, *Experiment*, 200–202.

31. McCormick, *Experiment*, 212. Perkins, *American Public Finance*, 153. E. James Ferguson, “State Assumption of the Federal Debt During the Confederation,” *The Mississippi Valley Historical Review* 38 (Dec. 1951), 403–24, 417.



taxes and support economic development, not to defraud creditors.” Another historian concludes that it nevertheless brought the Rhode Island economy “to a standstill.” Some merchants left the state; others refused to sell goods, including food, and closed stores. One leading historian concludes that riots broke out in response; another writes that the disorder was “reminiscent of the opening years of the Revolution.” Residents complained that “property is no where secure, houses and stores have been promiscuously broken into, and many persons have been wounded in defending their effects from the depredations of the mob.” Within a year, Rhode Island’s currency had depreciated to four-to-one against specie. Residents lodged depreciated currency with courts to satisfy debts to out-of-state creditors. State law was changed to prevent nonresidents from using that procedure against Rhode Islanders. The legislature then passed several pieces of “forced payment” legislation that compulsorily retired all outstanding state debt for a fraction of its value in specie. Rather than accommodating public creditors, Rhode Island had “swatted” them with “brutal directness.” Whether Rhode Island’s fiscal policies were defensible or not, many Americans fervently condemned them.<sup>32</sup>

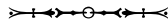
Americans around the country and even sympathetic foreign observers exploded in outrage over Rhode Island’s policies. In a letter reprinted by newspapers in eight states, a southern resident wrote to his Rhode Island correspondent that “matters have come to such an alarming crisis, that the confederation must take notice of you . . .” for “your Legislature . . . are dangerous to the community at large.” Many of his state’s citizens believed that “when the convention meets in Philadelphia . . . measures will be taken to reduce you to order and good government, or strike your State out of the union and annex you to others.” Massachusetts Supreme Court Justice Francis Dana wrote to Elbridge Gerry expressing the hope that “a bold politician wou’d seize upon” Rhode Island’s “abominations and anti federal conduct” to annihilate it as a state. Philadelphia Convention delegate Richard Dobbs Spaight wrote to North Carolina leader James Iredell that “the General Assembly of Connecticut

---

32. Maier, *Ratification*, 224. Schweitzer, “State Issued Currency,” 318. Ferguson, *Power of the Purse*, 243. *Independent Chronicle and the Universal Advertiser* (Boston), July 27, 1786. Jensen, *New Nation*, 324. Irwin H. Polishook, *Rhode Island and the Union, 1774–1795* (Evanston, IL, 1969), 127, 132–33, 145–47, 154–61.

have reprobated . . . the conduct of . . . Rhode Island. . . I should not be surprised if they were to compel them by force to do justice to their citizens.” A Massachusetts resident wrote “the other states will justly consider [Rhode Island] as *cheats*,—traitors to the nation . . . and armed plunderers of their neighbours.” A Connecticut resident wrote that the law was “the most extraordinary that ever disgraced the annals of democratical tyranny,” an act of “human depravity.” Secretary of War Henry Knox wrote to the Marquis de Lafayette that “no little State of Greece ever exhibited greater turpitude . . . plundering the Orphan and Widow by virtue of laws.” Leading English liberal and longtime American supporter Richard Price described Rhode Island’s “knavery” as a “triumph” for America’s opponents in a letter excerpted in at least thirty-five newspapers.<sup>33</sup>

Before the Philadelphia Convention began, paper money had been adopted in nearly half the states only because public creditors had been given large financial inducements to support it. Pennsylvania’s paper money and Bank debate had led to much broader concerns about majority power that reinforced opposition to paper money across the country and resulted in a severe political backlash. Rhode Island’s actions then created a widely shared perception that one state’s paper money and debt relief policies could unfairly damage other states’ residents. This shifting political climate emboldened the Philadelphia Convention in dealing with the paper money issue and fundamentally hobbled Anti-Federalists’ opposition during the ratification debates.



Given colonial practices and the states’ divisions over paper money, the apparent political path of least resistance for the 1787 Constitution’s drafters would have been to permit states to issue it, perhaps subject to Congressional approval to reflect delegates’ concerns about effects on

---

33. *Newport Herald* (RI), Apr. 12, 1787, DHRC 13: 80 ; *ibid.*, n1 (Dana letter). Richard Dobbs Spaight to James Iredell, July 2, 1787 in Griffith John McRee, *Life and Correspondence of James Iredell*, Vol. 2 (1857; repr. New York, 1949), 162. *Massachusetts Gazette* (Boston), May 29, 1786. *The New-Haven Gazette and Connecticut Magazine*, June 1, 1786, 122. Knox to Lafayette, Apr. 26, 1788, Henry Knox Papers (mf. ed.), Reel 22 (original in Gilder Lehrman collection, NYHS, GLC02437.03860). Richard Price to Benjamin Rush, Jan. 26, 1787, DHRC 13: 101.

other states. James Madison had attacked the New Jersey plan during the Philadelphia Convention because it would not prevent “trespasses of the States on each other,” such as “aggressions” by emissions of paper money. Madison argued that “the Creditor States must suffer unjustly from every emission by the debtor States.” Madison had also used paper money as a prime example of why Congress should be given a general veto over state laws. But Madison’s veto proposal was opposed even by delegates firmly opposed to state paper money such as Gouverneur Morris and was ultimately rejected by the Convention, so delegates needed to decide how to deal with state paper money and debt relief powers.<sup>34</sup>

Originally, at least some Philadelphia delegates seem to have been inclined to accept continued state authority. They would have permitted states to issue paper money and pass debtor relief laws with Congressional approval, as provided in the August 6, 1787, report of the Convention’s Committee of Detail. But despite a warning from Massachusetts merchant Nathaniel Gorham, who had just played an important role in suppressing Shays’ rebellion, that an outright ban would rouse “the most desperate opposition from its partizans,” late in the Convention a large majority agreed with Roger Sherman of Connecticut that the Constitution was a “favorable crisis for crushing paper money.” Sherman argued that “if the consent of the Legislature [i.e., Congress] could authorize emissions of it, the friends of paper money would make every exertion to get into the Legislature in order to license it.”<sup>35</sup>

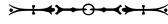
Sherman’s argument is consistent with North Carolina delegate William Davie’s later statement to the North Carolina ratifying convention that Philadelphia delegates from the six states that had not adopted paper money made clear that they did not want to take the chance that they would be outvoted in Congress and “shamefully defrauded” again. The Convention proposed a permanent ban on state paper money and many forms of debtor relief. It did so even though it deferred to state authority on other sensitive issues such as voting qualifications. The Convention’s sweeping action not only rejected paper money; it rejected the idea that state majorities should ever be able actively to manage state economies.

---

34. Max Farrand, ed., *Records of the Federal Convention of 1787*, (1911, 4 vols.; repr. New Haven, CT, 1966), 1: 317–18, 2: 26–28. Holton, *Unruly Americans*, 182–84.

35. Farrand, *Records*, 2: 187, 439 (quotes).

This meant that the Convention majority agreed with Madison that the problem posed by state paper money and debt relief was a general one, not an exceptional situation stemming from Rhode Island's actions. For several reasons, however, the seemingly high-risk decision to strip states of these powers would actually turn out to be a relatively small gamble, as the course of ratification shows.<sup>36</sup>



The ratification sources suggest that continued popular support for paper money and debtor relief was a significant undercurrent in many states' debates, but this is quite different from saying that it played an important role in public debate or that it materially influenced ratification outcomes in most states. Orin Libby's work shows that there was a very strong correlation in numerous states between geographic areas whose representatives had earlier supported paper money and areas that opposed the Constitution. But the actual strength of that opposition in practice was a function both of public opinion on other major aspects of the Constitution and of the willingness (or the unwillingness in many cases) of Anti-Federalists to challenge Section 10 publicly and aggressively. It is useful to divide the analysis of ratification into two parts: Rhode Island and North Carolina, on the one hand, and the eleven remaining states on the other.<sup>37</sup>

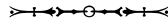
Contemporaries believed that "whatever ostensible reasons may be offered" by North Carolina and Rhode Island "for the rejection of this constitution . . . the true one is the inhibition of paper money." James Madison thought that in Rhode Island, support and opposition for the Constitution coincided entirely with views on paper money. A French observer concluded that Rhode Island's leaders hoped to "cause the rejection of the Constitution, whose design is to curb their excesses" by submitting it to town referenda. Maier and Heideking agree that support for paper money (or state fiscal policy) played a major role in Rhode Island's initial refusal to ratify. They seem inclined to think that that was true in North Carolina as well, though local factors also played a role. But these states' refusals to ratify seem to have had little influence on

---

36. Holton, *Unruly Americans*, 185.

37. Orin Grant Libby, *The Geographical Distribution of the Vote of the Thirteen States on the Constitution, 1787-8* (1894; repr. New York, 1969).

ratification in other states beyond the Federalist ammunition their paper money experiences provided. Their refusals did not materially alter the overall course of ratification. The discussion below therefore considers the contests in the eleven originally ratifying states. It begins by describing the overall contours of the debate, and then looks more closely at the significance of ratification contests in several states.<sup>38</sup>



A French observer saw the Constitution's proposed limits on state economic relief as a major shift in the locus of sovereignty:

The new general Government proposed to the People requires some large Sacrifices of Sovereignty on the part of the States. Some are painful at this time because the creation of Paper money, the laws that stay the operation of obligations and Contracts, those that authorize the payment of debts in property, or in depreciated paper, can no longer take place. Nothing remains to the states of their individual independence but their Judicial powers . . . inspection and police . . . and internal administration.<sup>39</sup>

Federalists saw this shift in power as a virtue and said so repeatedly. They were happy to advertise it and to defend it in response to scattered Anti-Federalist attacks. Newspaper articles supporting the Constitution in part because it would end paper money and tender laws appeared from South Carolina to Massachusetts. Charles Cotesworth Pinckney wrote in South Carolina that whatever else people thought of the Constitution, they would think it an “honest one,” because “in future we shall be free from the apprehensions of paper money, pine barren acts, and instalment laws.” Benjamin Rush wrote to leading Massachusetts minister Jeremy Belknap that if the Constitution “held forth no other advantages [than] that [of] a future exemption from paper money laws, this

---

38. Thomas Ruston to George Washington, Aug. 17, 1788, DHRC 18: 335; Comte de Moustier to Comte de Montmorin, Mar. 16, 1788, DHRC 16: 402–403. *Pennsylvania Gazette*, Aug. 13, 1788, DHRC 18: 401. James Madison to George Nicholas, Apr. 8, 1788, DHRC 9: 710. Maier, *Ratification*, 224. Heideking, *Constitution*, 242. For a similar view, see “Introduction,” DHRC 24, xxxviii. North Carolina: Maier, *Ratification*, 415–23; Heideking, 242–44, 328–30.

39. Antoine de la Forest to Comte de Montmorin, Sept. 28, 1787, DHRC 13: 259.

would be eno' to recommend it to honest men." A West Jersey resident wrote in a letter reprinted across the country, "Nothing, in the whole federal constitution, is more necessary than [Section 10]; for we find, by woeful experience, that nothing, neither the religion of nature, nor even the pure religion of Jesus Christ . . . can make men honest. It was therefore absolutely necessary to guard against . . . the emission of paper money."<sup>40</sup>

Federalists repeatedly exploited what another French observer saw as a common "fear of the abuse of paper money, the terrible weapon, with which the demagogues attack and destroy the propertied class in general." Letters discussing the views of those skeptical about the Constitution suggest that in doing so Federalists were taking advantage of an important shift in public sentiment. In late March, 1788, James Freeman, a Boston Unitarian minister, sent a London Unitarian clergyman a copy of the Massachusetts ratification debates. He wrote, "You will find the constitution less democratick, than might be expected from a people who are so fond of liberty. Various causes have conspired to render republican sentiments unfashionable; among which may be mentioned Mr. J. Adams's publications, a late insurrection in the state of Massachusetts, and the corrupt proceedings of the legislature of Rhode-Island." His perception was shared by Samuel Breck of Boston, who wrote to Henry Knox that Rhode Island's "villanous conduct" was one of the two main reasons that would "shew the necessity of parting with a greater share of our Priviledges . . . than we have been willing to do at any former time."<sup>41</sup>

---

40. *Columbian Herald* (Charleston, SC), Feb. 14, 1788, DHRC 13: 274, n1. Benjamin Rush to Jeremy Belknap, Feb. 28, 1788, DHRC 16: 250–52, quote 251. Also quoted in Wood, "Interests and Disinterestedness," 108. Extract of a Letter from Salem County, West Jersey, Oct. 22, 1787, DHRC 3: 140–41. "Publicola," *State Gazette of North Carolina* (Newbern), Mar. 20, 1788, DHRC 16: 439; *Virginia Independent Chronicle* (Richmond), Feb. 13, 1788, DHRC 8: 396; *Virginia Independent Chronicle*, Feb. 20, 1788, DHRC 9: 565; "A Pennsylvanian [Tench Coxe] to the New York Convention," *Pennsylvania Gazette* (Philadelphia), June 11, 1788, DHRC 20: 1139–49; "A Dialogue Between Mr. Z and Mr. &," *Massachusetts Centinel* (Boston), Oct. 31, 1787, DHRC 4: 177–78.

41. Comte de Moustier to Comte de Montmorin, Mar. 16, 1788, DHRC 16: 403. James Freeman to Theophilus Lindsey, Mar. 29, 1788, DHRC 16: 504; Samuel Breck to Henry Knox, July 14, 1787, Reel 20, Knox Papers (mf. ed.) (original in Gilder Lehrman Collection, NYHS, GLC02437.03604).

The profound political difficulties posed for Anti-Federalists by this perceived shift in public opinion were candidly acknowledged by at least one major Anti-Federalist writer, the “Federal Farmer.” In his “Letters to the Republican,” the Federal Farmer wrote that “several legislatures, by making tender, suspension, and paper money laws, have given just cause of uneasiness to creditors. . . . The conduct of several legislatures, touching paper money and tender laws, has prepared many honest men for changes in government, which otherwise they would not have thought of.” Saul Cornell astutely observes that the Federal Farmer sought to persuade his readers that he was “not just a dispassionate commentator on political matters but was the true voice of the middling sort.” Written to defeat the Constitution and widely circulated, these letters constitute strong friendly advice to Anti-Federalists not to try to defend state economic management powers because “several legislatures” (i.e., not just Rhode Island) had abused them. That has prepared the “weight of the community, the men of middling property,” who are neither “little insurgents” or “dangerous” aristocrats but are caught between those “two fires,” to be willing to accept the Constitution. The writer argues that this large middle group is going to accept it if Anti-Federalists defend those abuses. The evidence suggests that many Anti-Federalists took this advice to heart, and that it strongly shaped their challenges to the ban when they challenged it at all.<sup>42</sup>

When northern Anti-Federalists of the middling sort objected publicly to the Constitution’s paper money ban, it was primarily as a harmful limitation on states’ revenue-raising powers that would lead to their collapse, not because it prevented increased circulation of money or disabled them from shielding the poor against the overbearing rich in hard times. This was an effort to merge opposition to Section 10 with opposition to federal taxation, an often popular cause. In New York, “Brutus” (Anti-Federalist delegate Robert Yates) wrote that the ban meant that states would be limited to relying on direct taxation, and that as a result eventually “the legislatures of all the states will find it impossible to raise monies to support their governments. . . . and they must dwindle away.” An Albany, New York Anti-Federal Committee circular of April 10, 1788, listed the ban on state coinage and paper money as one of the

---

42. The Federal Farmer, “Letters to the Republican,” Nov. 8, 1787, DHRC 19: 210–11, 239–40. Cornell, *The Other Founders*, 89.

factors that proved the Constitution would create a “*consolidated* government, repugnant to the principles of a republican government, not founded on the preservation but the destruction of state governments.” Anti-Federalists also claimed that the ban was illogical and ignored past history. In New York, De Witt Clinton (writing as “A Countryman”) claimed that although states were barred from issuing paper money, the federal government was not, which was inconsistent, and that states had managed paper money better. Delegate William Findley had made nearly identical claims in the Pennsylvania ratifying convention.<sup>43</sup>

Federalists had two basic responses to Anti-Federalists’ arguments that the paper money ban would harm states. They claimed that federal control over coinage and currency must be exclusive, and that Rhode Island’s actions were proof enough of this: “For want of such a power, what vile proceedings have of late disgraced almost every legislative measure of Rhode Island! . . . honest creditors in Massachusetts, have been paid in *old horses* and *enormous rocks*.” Their second argument was that this limit on state powers was appropriate to prevent abuses. In New York, the Albany Federal Committee responded to an Anti-Federalist challenge to the ban: “In many of the states . . . [paper currency] has opened a door to fraud, villany and discord—in Rhode Island it is at present a lawful tender, though going at twelve for one . . . it is high time that the wicked and fraudulent system of paper money be checked.” Federalist criticisms often lumped together paper money and tender laws, just as Section 10 did. In the Pennsylvania convention, Jasper Yeates argued, “What have been the effects of tender laws, emissions of paper money, or the destruction of contracts? All faith has been destroyed amongst us. . . . The principles of morality have been impaired; and if virtue is the foundation of a republic, we have been sapping it as fast as we could. If state governments are prevented from exercising these powers, it will produce respectability.”<sup>44</sup>

In private, one Massachusetts Anti-Federalist ratification delegate,

---

43. Brutus I, *New York Journal*, Oct. 18, 1787, DHRC 13: 411–21, quote on 415. Albany Anti-Federal Committee Circular, Apr. 10, 1788, DHRC 21: 1380–81. “A Countryman V,” *New York Journal*, Jan. 17, 1788, DHRC 20: 624; William Findley, Dec. 5, 1787, DHRC 2: 506.

44. Cassius VI, *Massachusetts Gazette*, Dec. 18, 1787, DHRC 5: 482 (emphasis original). Albany Federal Committee, “An Impartial Address,” c. Apr. 20, DHRC 21: 1392. Jasper Yeates, Nov. 30, 1787, DHRC 2: 436.



William Symmes, Jr., went further than most Anti-Federalists did publicly, defending both states' ability to issue paper money (for state fiscal purposes only) and property tender laws. However, Symmes perceived the potential abuse of state economic powers as a general problem (not one limited to Rhode Island) that could justify Congressional supervision. He wrote that individual states could abuse tender-law powers and "impose on" other states, and that "Congress should even have power to say hereafter when they shall cease." But Massachusetts Anti-Federalists did not publicly challenge Section 10 despite Symmes's prediction that "the principal weight of opposition will hang" on it, and though another well-informed observer concluded that in Massachusetts a "most powerfull host" including supporters of paper money and tender laws and "18 or 20 who were actually in Shases army" were convention delegates. Given the immense pressure on both sides, due to the extreme closeness of the Massachusetts vote, to use every available resource and argument, this suggests that Anti-Federalists thought that they would not gain votes by a public challenge, and might even lose some.<sup>45</sup>

In Massachusetts, "Candidus" (merchant and Anti-Federalist writer Benjamin Austin) did propose before the state Convention began that state powers over paper money, tender laws, and contracts be preserved, but used only subject to Congressional approval. However, neither in Massachusetts nor elsewhere did Anti-Federalists adopt Candidus's position in convention dissents or proposed amendments. This is particularly remarkable since precisely that compromise had apparently appealed to at least some Philadelphia Convention delegates and would have reflected the diversity of opinion in the states without actually committing anyone to support future legislation.<sup>46</sup>

An ever-present reality haunted Anti-Federalist arguments about paper money and tender laws: widespread disgust at Rhode Island's actions. Like Brutus, New York ratification convention delegate Melancton Smith argued that proposed federal taxation powers would crush state governments, and that states should not be deprived of economic powers simply because they had made mistakes. He then added an

---

45. William Symmes, Jr. to Peter Osgood, Jr., Nov. 15, 1787, DHRC 4: 236–45, quotes on 240–41. Nathaniel Gorham to James Madison, Jan. 27, 1788, DHRC 7: 1552. Symmes voted to ratify based on proposed amendments.

46. "Candidus II," *Independent Chronicle*, Dec. 20, 1787, DHRC 5: 494.

important qualification: “As for Rhode-Island, I do not mean to justify her. . . . If there were in the world but one example of political depravity, it would be hers: And no nation has ever merited or suffered a more genuine infamy, than a wicked administration has attached to her character.” Smith’s remarkably strong sentiments echoed those of George Washington, who wrote that “the infamy of the conduct of Rhode Island outgoes all precedent.”<sup>47</sup>

The visceral dislike many Americans felt for Rhode Island’s policies created an inescapable dilemma for Anti-Federalists: If they defended state economic relief powers, they had to do so without defending Rhode Island’s actions, which to many perfectly demonstrated that states should not be free to act without restraint. This dilemma could have been avoided by advocating Congressional approval of state paper money issues, but as noted that compromise failed to gain Anti-Federalist support. Hemmed in by Rhode Island’s actions and lack of a workable fall-back position, Anti-Federalists of the “middling sort” were compelled to fight on narrow ground, often by claiming harm to state fiscal interests from a ban. And this was only the beginning of their problems, as a closer look at ratification in three mid-Atlantic states will show.

In Pennsylvania, Kaminski concludes that “Antifederalists throughout the state objected to the Constitution partly because of the prohibition against future state paper money.” There was some public Anti-Federalist opposition on that issue, but it was narrowly framed. Anti-Federalist leaders such as William Findley claimed that Federalists, particularly Benjamin Rush, were inconsistent in promoting the ban because they had previously supported state paper money. Rush denied that, claiming he had not supported the law ultimately adopted. As noted, Findley also claimed that the Constitution was inconsistent in banning state paper money while permitting the federal government to issue it.<sup>48</sup>

Pennsylvania Anti-Federalist delegates included major leaders of the state’s popular movement, William Findley and Robert Whitehill. Both represented areas that had strongly supported popular reforms including

---

47. Melancton Smith, New York debates, June 27, 1788, DHRC 22: 1924 (punctuation modernized). Washington to Jonathan Trumbull, Jr., July 20, 1788, DHRC 18: 274.

48. Kaminski, *Paper Politics*, 80. Pennsylvania debates, DHRC 2: 458–95, 506.

paper money. Neither seems to have been a large enough war-debt speculator that it would have significantly affected his stance toward the Constitution. When they chose to challenge the paper money ban only on inconsistency grounds, it is fair to infer that they thought that they would lose rather than gain support by attacking it more broadly, since they challenged the Constitution on literally dozens of other points. The extensive dissent of the Anti-Federalist minority issued by Findley and others after the Pennsylvania convention does not mention paper money or debt relief.<sup>49</sup>

The Pennsylvania dissent in turn quickly became the subject of a widely disseminated Federalist ridicule on the basis that it hid the true reasons for Pennsylvania Anti-Federalists' opposition—their support for paper money and debt relief. An extensive attack on the dissenters published in New York criticized Pennsylvania's revocation of the Bank charter: "There is not a spot in the United States, where the solemnity of contracts and grants has been so sacrilegiously violated . . . as by you and your junto . . . except only, in the little detestable corner of the Continent, called *Rhode-Island*." These attacks suggest that Federalists thought that Anti-Federalists were vulnerable on those issues. Others thought so as well. Philadelphia lawyer Charles Swift wrote an English correspondent that "in this country" the Constitution has "a majority of friends amongst the rich and wealthy and amongst the extreme poor." He continued, "You can have no idea of the enthusiastic zeal [for the Constitution] that prevails in this city. A man hazards ill-usage and insult who dares avow his disapprobation. The [desire?] of the extreme poor and the wealthy for this government may be traced to the same source—the positive disallowance of paper money—a circumstance that always falls heaviest on those classes."<sup>50</sup>

Terry Bouton argues, however, that Pennsylvania Anti-Federalists did not contest such issues more vigorously because they were divided, with western Pennsylvanians representing ordinary citizens suppressing their

---

49. McDonald, *We the People*, 179–80. DHRC 2: 505–506.

50. "America" [Noah Webster], "To the Dissenting Members of the late Convention of Pennsylvania," *Daily Advertiser* (New York), Dec. 31, 1787, DHRC 19: 492. Charles Swift to Robert E. Griffiths, Oct. 18, 1787, DHRC 2: 199. "The Protest of the Minority," *Pennsylvania Gazette*, Oct. 3, 1788, DHRC 2: 155–56 (reprinted from Vermont to South Carolina).

views on paper money and debt revaluation in order to gain support from elite eastern Anti-Federalists, some of whom were large war-debt speculators, for efforts to overturn ratification through a subsequent Harrisburg convention. But the evidence suggests instead that paper money support had collapsed in some parts of the state. Large parts of Pennsylvania that had previously supported paper money and opposed the Bank of North America charter now strongly supported the Constitution. Nearly every delegate from Philadelphia City and County, and Bucks, Northampton, and Northumberland counties, all of whom represented areas that had strongly supported the paper money law, now supported the Constitution. At least 54 percent of the total convention approval vote came from areas that defected from the earlier paper money coalition, strong evidence that it could not withstand the Constitution's overall appeal. These divisions strongly suggest that even had the Federalists not rushed the Pennsylvania convention, the outcome on Section 10 would not have changed.<sup>51</sup>

In New York, most Federalists regarded Section 10's ban as a strength that should be promoted. In *Federalist* No. 80, Alexander Hamilton defended the Constitution's judiciary provisions using paper money laws as a prime example of the evils they would suppress. As discussed above, Anti-Federalists attacked the ban on narrow state fiscal solvency grounds. New York ratification saw large coalition defections like those in Pennsylvania. While New York-area Assembly representatives had supported paper money legislation in 1786 by a 2 to 1 margin (19–9), ratification delegates from New York and its surrounding areas now unanimously supported the Constitution (26–0). The New York-area delegates provided 80 percent of the total votes for the Constitution. Former paper money supporters from other areas, however, became Anti-Federalists who almost uniformly opposed the Constitution. All seven ratification delegates from outside the New York commercial area who voted for paper money as legislators in 1786 and also voted on ratification opposed it. Although it seems possible that Anti-Federalists were a majority in the New York convention and would have had the votes needed to

---

51. Bouton, *Taming Democracy*, 191–93. Mar. 16, 1785, paper money vote, Pennsylvania General Assembly, *Minutes of the Second Session*, 212, compared to Dec. 12, 1787 ratification vote, DHRC 2: 590–91.

advocate changes to Section 10 had they been united on it, they did not do so in their proposed amendments.<sup>52</sup>

In New Jersey, the Constitution was highly popular. According to Forrest McDonald, nearly all legislators who had supported paper money had been re-elected and its supporters remained in control of the legislature during ratification. However, Abraham Clark, the “true republican” leader of state paper money forces, who was also a strong debt relief advocate, chose not to challenge the Constitution. There is no known evidence that Clark owned significant amounts of public securities. Accounts of New Jersey ratification make clear that preserving the state’s economic relief powers was nowhere near important enough to have formed the basis for a successful challenge to the Constitution because, as Holton concludes, the Constitution’s tax powers meant far less state taxation (and indirect taxation from New York) and increased payments to public creditors. Clark’s neutrality on ratification acknowledged the reality that challenging the paper money ban would have made no difference to the outcome.<sup>53</sup>

Thus, although many Anti-Federalists across the country remained paper money supporters, they lost their public creditor allies in Pennsylvania, New York, and New Jersey. These creditor defections meant that paper money support in those states was once again the minority position it had been until creditors joined coalitions there. The Constitution essentially restored the status quo ante by destroying the appeal of state paper money to those public creditors. The reason for their defection from the state paper money coalitions is straightforward: the Constitution offered them a far better financial deal than state paper money. As Max Edling points out, Federalists promised during ratification that once the Constitution was adopted, federal debts that had been assumed by states would revert to Congress. The widely anticipated federal specie-based impost would provide a clearly superior financial basis for repaying federal debts to creditors, even if state debt assumption did not occur.<sup>54</sup>

---

52. *The Federalist*, ed. J. R. Pole (Cambridge, UK, 2005), 422. Compare Assembly vote, Mar. 6, 1786, in *Daily Advertiser* (New York), Apr. 5, 1786, with DHRC 21: 1356 and DHRC 23: 2323 and related data.

53. McDonald, *We the People*, 123–29. Holton, *Unruly Americans*, 15. McCormick, *Experiment*, 205. Heideking, *Constitution*, 225.

54. Max Edling, *A Revolution in Favor of Government: Origins of the U.S. Constitution and the Making of the American State* (Oxford, UK, 2003), 160.

Federalist Pelatiah Webster therefore advocated the Constitution by arguing that “I wish the public creditors to look to themselves. . . . It is, moreover, only from a federal treasury that the public creditors, of all descriptions, can expect substantial and permanent justice.” That federal securities speculators uniformly agreed with Webster is evident from the sharply rising prices of federal debt securities and the falling value of paper money backed by state imposts as the prospects for ratification of the Constitution increased. Merchants would also benefit from the paper money ban. Both of these somewhat overlapping groups chose for the most part to support the Constitution.<sup>55</sup>

As Alfred Young points out, urban artisans and mechanics in several states joined them, voting overwhelmingly for Federalists in selecting ratifying convention delegates, often, he thinks, due to economic desperation that “trumped traditional class allegiances.” Heideking concludes broadly that in convention elections there was an “almost unanimous tendency of the urban lower and middle classes to vote Federalist.” In his view, urban lower- and middle-class residents supported the Constitution because they thought their interests were convergent with those of merchants and other urban elites. Whether their interests were actually convergent or not, their actions comported with “Marcus’s” realpolitik advice that “it is the interest of the mechanicks to join the mercantile interest, because it is not their interest to quarrel with their bread and butter.”<sup>56</sup>

In the southern states, some elite Anti-Federalist leaders challenged Section 10, but to little effect. Luther Martin of Maryland and Rawlins Lowndes of South Carolina attacked restrictions on state paper money and economic relief powers. Martin argued that Maryland and other states had “formerly received great benefit from paper emissions,” and

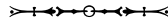
---

55. “A Citizen of Philadelphia,” *Pennsylvania Gazette*, Jan. 23, 1788, DHRC 2: 660, quoted in part in Edling, *Revolution*, 161. Ferguson, *Power of the Purse*, 256–57. Delegates with securities or commercial interests were significantly more likely to support the Constitution. Robert A. McGuire, “The Founding Era: 1774–1791,” in Price Fishbeck et al., *Government and the American Economy: A New History* (Chicago, 2007), 75–77.

56. Alfred F. Young, *Liberty Tree: Ordinary People and the American Revolution* (New York, 2006), 62. Tradesmen, artisans, and mechanics ally with Federalists: Heideking, *Constitution*, 227, 248–49 (quote on 248). *Massachusetts Gazette*, Oct. 26, 1787, quoted in Beard, *Economic Interpretation*, 302.

that prohibiting debt relief and tender laws would allow wealthy creditors to destroy poor but industrious debtors. But their objections did not noticeably increase opposition or lead to proposed amendments. Both states ratified by comfortable margins.<sup>57</sup>

In Virginia several elite Anti-Federalists, including George Mason, William Grayson, and Richard Henry Lee, publicly supported the prohibition on state paper money. Their colleague Patrick Henry's reasoning in the Virginia convention is illuminating: "But, then comes paper money. We are at peace on this subject. Though this is a thing which that mighty Federal Convention had no business with, yet I acknowledge that paper money would be the bane of this country. I detest it. . . . It is at rest however in this Commonwealth. It is no longer solicited or advocated." Henry's comments made a virtue out of weakness. Virginia's legislature had unanimously rejected both paper money and debt relief proposals in late 1787. Under the circumstances, challenging Section 10 publicly risked losing the Anti-Federalists votes they could not afford to lose in Virginia's extremely closely divided convention.<sup>58</sup>



Even if on the whole one views skeptically Charles Beard's economic interpretation of the Constitution, the ratification evidence makes clear that he was right to conclude that "personalty" property interests played an important part in the struggle over it, though he may have overstated their significance. Contemporaries understood that personalty interests stood to benefit handsomely from the Constitution's tax provisions and Section 10's wealth protections, and that perception clearly influenced both sides during ratification. But the ratification evidence does not support Beard's claim (or variants of it made by later historians), that the reason Section 10 survived was Federalist process manipulation. Nor does it support Cecilia Kenyon's conclusion as to Section 10 that "the response of the Anti-Federalists . . . can accurately be described, I think,

---

57. Farrand, *Records*, 3: 214. Jonathan Elliot, *The Debates in the Several State Conventions on the Adoption of the Federal Constitution*. . . , 2nd ed. (5 vols., Washington, D.C., 1836), 4: 289–90. Maier, *Ratification*, 248.

58. Elliot, *Debates*, 3: 156. Bushrod Washington to Robert Carter, Nov. 4, 1787, DHRC 8: 144; John Dawson to James Madison, Sept. 25, 1787, DHRC 8: 17n4.

as one of over-all approbation tempered by some doubts caused by fear that they would be applied retroactively.”<sup>59</sup>

By mid-1787, state economic management had lost some of its luster. Its already limited popularity declined due to a generally improving economy, strong backlash against policies such as Pennsylvania’s Bank charter revocation, and owing to the harshly negative reaction to Rhode Island’s actions. The Constitution’s proposed federal taxation powers strongly appealed to public creditors, leading to defections from key state paper money coalitions. Taken together, these developments turned protecting state economic management and relief powers into a cause that many Anti-Federalists chose not to defend at all. Others—typically the “middling sort”—defended them as well as they could on the ground that state finances could not survive otherwise or that Federalists were inconsistent, while still others—mostly elite Anti-Federalists in southern states—defended them on their merits but without discernible results. Some elite Anti-Federalists even publicly supported Section 10.<sup>60</sup>

The evidence presented here supports the conclusion that strongly challenging Section 10 would not have helped and might well have harmed Anti-Federalists in the three states most critical to ratification: Massachusetts, New York, and Virginia. Anti-Federalists had strong convention support and reasonable publicity for their views there, but nevertheless effectively conceded or at most weakly defended the Section 10 issue in them. After public creditor defections, minority support for paper money remained in New York, Pennsylvania, and New Jersey. The very limited “middling sort” opposition to Section 10 there reflected that, not Federalist process manipulation. In Maryland and South Carolina, the elite challenge to Section 10 was broader but aided little. It is entirely possible that paper money forces remained in the majority in Rhode Island and North Carolina, which like Georgia ultimately ratified either due to coercion or for extraneous reasons, but those peripheral states were powerless to prevent ratification. In the end, Anti-Federalists did not propose that the Section 10 ban be reversed in any of the thirteen

---

59. Cecilia M. Kenyon, “Men of Little Faith: The Anti-Federalists on the Nature of Representative Government,” *William and Mary Quarterly* 12 (Jan. 1955), 3–43, quote on 32.

60. Economy: see Jensen, *The New Nation*, 249–57; McCraw, *Founders and Finance*, sources in 375n4.



states, despite proposing hundreds of amendments. A reasonable inference from this evidence is that during ratification paper money advocates were probably in the minority in at least eight and possibly nine or ten states, since six states had never adopted paper money in the mid-1780s. Even eight states would have been an amendment-proof majority supporting Section 10.<sup>61</sup>

During ratification, Federalists appear to have had advantages in areas such as control of the media. Federalists also manipulated the ratification process where they had the ability to do so, by rushing the process, seeking up-or-down votes on the Constitution, and preventing a second convention. And Federalists altered the political agenda by proposing a Constitution that contained taxation power appealing not only to public creditors but, as Woody Holton argues, to many taxpayers. That shift may well have significantly influenced opposition to ratification in *some* paper money states, but very probably not enough of them to change the Section 10 outcome. However, as the preceding paragraph's analysis of ratification in various states and groups of states shows, there is no evidence that these Federalist advantages in the ratification process (whether deemed real or suppositious flaws) would materially have changed the outcome on Section 10.<sup>62</sup>

In sum, the evidence suggests that it is mistaken to think that the Constitution's ban on paper money and tender laws was accepted because a strong popular economic reform movement was overwhelmed by an illegitimate process corrupted by a wealthy, powerful elite and that Anti-Federalist leaders "sold out" the people. Instead, it strongly suggests that in most states, opposing Section 10 was the Anti-Federalists' toughest challenge. They met it as well as they could without sacrificing their ability to attack what they saw as the Constitution's greater evils.

---

61. Georgia: Heideking, *Constitution*, 225–26.

62. Criticisms of ratification based on convention malapportionment are anachronistic.