

# American Capitalism

1607-1800

*The story of the first two hundred years of capitalism in this country, with its early fortunes built from slave-trading, profiteering and exploitation, and the class antagonisms engendered in early American society.*

BY ANNA ROCHESTER

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## **AMERICAN CAPITALISM: 1607-1800**

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# AMERICAN CAPITALISM 1607-1800

BY ANNA ROCHESTER



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## PART ONE

1607-1763

Long before the English and the Dutch started their settlements in North America, western Europe had been looking to lands beyond the Atlantic Ocean as a source of wealth.

From South America, Spain had drawn treasures of gold and silver, which the merchant world of the 16th century believed to be the supreme source and assurance of prosperity. Spain held much of that continent in bondage. Her conquering traders were scattered about the Gulf of Mexico and came, later, into conflict with the French and the English. In 1566 they had set up a fortified port at St. Augustine on the eastern coast of Florida. From Mexico northward, the Spanish had penetrated the agricultural communities of the Indians and were amassing wealth from their labor.

French traders had stations along the St. Lawrence and made high profits from furs brought to them by Indian trappers.

Fishermen from Normandy and from the West Country of England had long been making yearly voyages across the narrow North Atlantic to the fishing banks from eastern Maine to Newfoundland.

But not until the latter part of the 16th century did Englishmen begin to stake their claims in the New World. Their attempts at settlement failed, and along the more than fifteen hundred miles of the Atlantic coast, north of St. Augustine, no European settlement had survived before the English came in 1607 to Jamestown, Virginia.

Rivalry in world commerce had sharpened among the Spanish.



the Dutch, and the English. Spain, mistress of the seas in the 16th century, had seen her Armada routed by the English in 1588. Spanish treasures of gold and silver gave little stimulus to change and progress, and Spanish strength had waned while the inner strength of England was increasing. Spain suffered losses also in the Netherlands, where a new nation, strong in industry and commerce, had thrown off the shackles of Spanish rule.

English victory over Spain, sealed in the treaty of 1604, released more English capital for new ventures. But England had not yet achieved world leadership in sea-power and trade. As Spain declined, it was the Netherlands that stood forth as the great merchant power of the Atlantic world.

Dutch mariners had taken possession of spice islands in the far Indies. Nearer home, across narrow waters from the English coast, Dutch traders had acquired footholds which aroused the jealousy of the rising English merchants. The prosperity of the Dutch merchants was in itself a "success story" which further stirred the ambitions of the merchant class in England.

When the English merchants began seriously to think of promoting colonial settlement in North America, fisheries and furs were both part of their plans. Enterprising shipmasters reckoned that they would gain from having permanent fishing stations on the American coast. These could have a longer fishing season than ships based on the old country, while their catch could be brought to England in other ships that did not themselves engage in the fishing. And why should furs be bought from the Indians through French traders when English trading posts could keep the profits from furs in English pockets?

Then too, there was the need for timber. English iron works and English shipbuilders had been nibbling so steadily at the English forests that they were beginning to import timber and wood fuel from the Baltic countries. The expanding cloth industry wanted more wood dyes and potash. In fact, forest reserves were no less important to the world of the 17th century than coal and iron have been to the world of modern industry. Dependence upon foreign resources alarmed the English business-

men who believed that only a self-sufficient country could be truly prosperous. Why not take possession of the great forests along the northern American shores and let English settlers there supply the timber and wood fuel and other forest products needed for English industries?

They wanted also English-controlled supplies of hemp, flax, cotton, silk, rice, sugar, spices, fruits, and wines. So from the viewpoint of merchants in the old country, settlements in the West Indian islands were no less important than colonies in North America.

Furthermore, fantastic as it appears today, some of the merchants, eager for closer trade with the East Indies, were ready to support colonial projects on the chance that they might discover a new and shorter route to the Far East.

And always there was the hope of finding gold and silver.

## ENGLAND OF THE SEVENTEENTH CENTURY

The 17th century, in which were founded all of our Thirteen Colonies except Georgia, marked a very special stage in the transition from feudalism to a capitalist economy. The merchant empires of England and the Netherlands led all other countries in this development.

Land was still the chief source of wealth, and agriculture was the chief occupation of those who toiled for others' profit. But the bonds of serfdom had been snapped. And within the shell of the feudal structure the new merchant wealth had been growing and gaining power. Craftsmen breaking away from their old feudal guild restrictions found themselves more and more exploited by merchants who took their products.

Far in the future were modern industry and the factory system. Mining and smelting, and spinning and weaving, for sale and not for use, were carried on by families and groups of artisans owning their tools and selling their products as best they might. But these artisans were slipping into dependence upon the merchants who linked them with the towns and whose ships carried their products abroad. In the European world, both in towns and

out through the countryside, poverty and misery cast a long shadow across the path of merchants and landlords. And thousands of homeless paupers, wandering without jobs and without hope, fell into robbery and other crime.

Ever since the great voyages of the 1490's, ships had been sailing to distant lands. With wider horizons spread before men's eyes, their minds were alerted to new conceptions of the world, new sources of profit, new possibilities of release and growth. In the Netherlands, revolt against the papacy and the despots of the Holy Roman Empire had brought in 1581 a large measure of national independence, opening the way to a modern democratic state.

Even earlier, in England, Henry VIII had defied the Pope, but his English Church remained an instrument of feudal power. And from the days of Queen Elizabeth, many groups among artisans and merchants had been breaking away from this Established Church to find self-expression in more democratic religious bodies.

It is no accident of history that the migration of Pilgrims and Puritans seeking freedom in a new England preceded, by barely a generation, a fierce armed struggle within the old country between lords and commoners. Although, after this civil war, Stuart kings were restored to power in 1660, the Crown was compelled immediately to accept from Parliament a comprehensive land act which liberated the masses on the land from feudal service to the lords.

Merchants were the most important pioneers of capitalism. They invested money in goods and ships and, if all went well, they drew from their commerce a profit on the capital they had invested in it. They were taking the first steps toward capitalist production as they began supplying spinners with wool and weavers with yarn and contracted with the workers for their finished goods. Money-lending and the merchants' bills of exchange were slowly developing toward the modern apparatus of banking. But a third generation of colonial Americans had been born before the Bank of England was established.

Modern industry had not yet been developed. Community divi-

sion of labor was still crude, and neighborhood markets could not absorb all the products of the specialized craftsmen. Only merchants engaged in distant trade offered an adequate outlet. Then the merchants began to supply the materials and tied the craftsmen to dependence upon the merchant. This opened the way for direct exploitation, as the merchant pushed down the price paid to the artisan for his product and, selling at a higher price, took for himself part of the value which the artisan produced.

Those living from work on their land (who had always been exploited by feudal overlords) were also losing such security as they had had. Some were driven from their holdings. Those who remained, if they produced for sale, found merchants in possession of the market and pushing down the prices that farmers received.

Many young people wandered about the country, without learning a craft and often without any employment whatever. Thousands of these "troublesome" poor along with others who were able-bodied "criminals" were later shipped to the colonies to work there as indentured servants for English settlers.

Such widespread poverty and insecurity contrasted sharply with the wealth of landlords and merchants and the "glories" of the Elizabethan age. But even the feudal landlords found their power slipping as the newer wealth of the merchants brought these upstarts into the forefront of political life. It gave the wealthy traders entry to the court, with titles for the Queen's favorites.

## MERCHANT CAPITAL EXPANDING

Merchants were the forerunners of modern capitalism. They not only perfected the art of buying cheap and selling dear and thus piling up profits on accumulated capital. They were also combining in groups for common projects, and from such temporary groups they developed the form of business corporations as we know them in our modern world. Such groups and chartered companies were granted by the crown a royal monopoly,

the earliest (in 1553) for trade with Russia, another with Turkey and the eastern Mediterranean, a third with the Barbary coast, a fourth with Guinea, and a fifth, the largest of all, with East India<sup>1</sup>.

Trade and piracy were closely akin. Queen Elizabeth had welcomed at her court such heroes as John Hawkins and his son Richard, who first brought captured Negroes from the coast of Africa, and Francis Drake, pirate and slave-trader, whose *Golden Hind* was the first English ship that circled the globe.

Businessmen firmly believed, in those days of merchant capital, that a nation could grow and prosper only as it built a self-sufficient empire, providing within its own boundaries all the materials and foods wanted for production and living, together with a substantial surplus for export trade. This creed, which we know as "mercantilism," reflected the stage of economic development in the 17th and 18th centuries. Productive capacity was far less developed than it was in the 19th century. And the money metals were scarce, while internal trade and foreign commerce had grown far ahead of any banking mechanism. Gold and silver appeared to be the supreme form of wealth, as well as a necessary medium of exchange. Merchants in countries having no mines to produce the precious metals could maintain and legally increase their scanty supply of money only by shipping a surplus of exported products with total value well above the total value of imported materials, foods, and finished products. A nation's trade balance was "favorable" when exports (plus receipts from shipping and the carrying of goods in foreign trade) were larger than imports and payments to ships of other nations for their carrying charges.

Conflicts and adjustments in the shift from the feudal and commercial to the beginnings of capitalist production were reflected in political and religious developments of the 16th and 17th centuries. These tangled threads of business profit and the quest for precious metals, of progress toward political democracy and revolt from the official Church of England, all appear in the pattern of England's colonial expansion. Sometimes the merchants took the lead in colonial settlement. Some "gentlemen"

hoped to found a new feudal domain. Sometimes merchants or "gentlemen" were ready to back groups of artisans (like the Pilgrims and the Puritans) who had special reasons of their own for seeking a foothold in a new country.

Since the 16th century, the French had been bringing furs from their trading posts in northern America. Two early English ventures at settlement in Carolina and in Maine had failed completely. Then, after the Dutchman, Hendrik Hudson, had found his way in 1607 up the mighty river south of the French St. Lawrence, the Dutch set up trading posts for furs not only on Manhattan Island but at Albany. (During the Dutch-English wars for world trade supremacy the Dutch lost their hold on the Hudson Valley in 1664.)

Throughout the colonial years, at various points along the western frontier, the fur trade continued to be a major source of wealth to the English in North America as well as to the French in Canada. In spite of efforts by the English government to control the fur trade with an eye to public revenue, it was privately developed as a form of big business, immensely profitable to English and colonial merchants. They paid the Indians in rum and merchandise with total value far below the prices which the merchants would receive for the furs.<sup>2</sup>

But fur-trading did not satisfy the English businessmen. They wanted not only year-round trading posts but English settlements for producing the timber and tar and turpentine for which English shipping had become dependent on the Baltic countries. They wanted silks and other luxury products. And above all they hoped for mines of gold and silver.

## PROMOTING SETTLEMENT

Companies and groups making the great venture of settlement on a strange continent were financed—and often promoted—by leading lords and merchants. Among the magnates in the London Company which backed the Virginia colony, for example, was the third-generation merchant prince, Sir Thomas Smith, whose father as collector of the queen's revenue had greatly in-

creased his family fortune. Sir Thomas was active not only in the Virginia company but in the new East India Company and other trade monopolies. Another was Robert Rich, second Earl of Warwick, a leading Puritan with vast commercial interests which included a private navy specializing in attacks on Spanish treasure ships.

In New England, several groups were involved. Promoters of the first Maine colony (which failed) were the chief justice of England and his friend, Sir Fernando Gorges, governor of the port of Plymouth. Gorges persisted in promoting fisheries and trading with the Indians along the coast of Maine, and gathered a group of wealthy West England men about him. In 1620, when the Pilgrims were sailing from Holland, the Gorges "Council for New England" was obtaining title to all of New England. But the Council made no headway in actual settlement and surrendered its charter in 1635. Gorges himself received a royal patent as proprietor of Maine, and his royalist friend, John Mason, was confirmed as owner of large holdings in New Hampshire.<sup>3</sup>

To Plymouth in 1620 came the Pilgrims—English artisans and their pastor—who had fled as religious refugees to Holland and whose voyage to New England was financed by loans from friendly Puritan merchants. To Boston, nine years later, came a group including more prosperous Puritans, led by John Winthrop, a country squire, and Thomas Dudley, the well-fixed steward of a Puritan earl. That large interests were involved is attested by the statement (accepted at the time) that the settlement of Massachusetts Bay cost its promoters £200,000.<sup>4</sup> Within a few years this Massachusetts Bay Company, which financed the Boston settlement, was reorganized—with some financial loss—and the company headquarters were transferred to the colony. This gave the Boston colony a uniquely independent status until 1684 when the company charter was annulled, and a royal governor was installed.

Later, "proprietary" land grants were given by the Crown to favored individuals who had rendered some special service or for some reason enjoyed royal favor. William Penn, for example,

was the son of an Admiral in the King's Navy, who died in 1670 leaving a claim against the Crown for £16,000. Some years later (in 1681) William Penn received in settlement of this claim the grant of land which became Pennsylvania. Penn actively promoted migration to his colony as a refuge for his fellow Quakers. He was well rewarded by the proprietary tax, levied in the form of quitrents, upon all landowners in the colony.

Maryland was another colony started with an eye to developing a feudal principality. George Calvert had been a statesman's private secretary and then, himself, a member of the Privy Council. He had won the favor of King James by defending his measures in Parliament. When Calvert in 1625 became a Roman Catholic, the king made him Baron of Baltimore and granted his request for land in America. After an unsuccessful venture in Newfoundland, Baltimore petitioned for a grant farther south, and in 1632 he was given the land along the Potomac which became the province of Maryland. Actual settlement was promoted and managed from England by his son, and then in Maryland itself by his grandson. But after a boundary dispute between Lord Baltimore and William Penn, and a vigorous Protestant revolt among the Maryland settlers, Baltimore withdrew, and in 1692 his colony became a royal province. Quitrents which had been received by the Calverts became payable to the Crown.

The early story of New Jersey and the Delaware River region reflected a confusion of conflicting interests. In 1609, Henry Hudson, an Englishman employed by the Dutch East India Company, did some pioneer exploring not only along the river which bears his name but also in the area which we know as northern New Jersey. Shortly afterward, Dutch fur-trading posts were set up on the Jersey shore of the lower Hudson and also along the Delaware River. But Swedish merchants nosed into the picture, and succeeded in establishing the first real settlements along the Delaware. These settlements in northern New Jersey were taken over by the Dutch in 1655, but nine years later—in the course of the world-wide struggle between the Dutch and the English—the English king claimed possession and included the whole area in a feudal grant to the Duke of York. This duke, in



turn, gave the southwestern part of his grant to his titled friends, Berkeley and Carteret, calling it New Jersey because Carteret had been governor of the Island of Jersey in the English Channel.

Meantime, in 1624, the Dutch West India Company had sent a few settlers to Fort Orange, now Albany, and two years later to Manhattan Island. This island (now having assessed valuation for land and buildings of \$7,754,000,000<sup>5</sup>) they proceeded to buy from the Canarsee Indians, paying them in knives, beads, and trinkets valued by the Dutch at 60 guilders, roughly equivalent to twenty-four dollars. The Company maintained close control over all business in these settlements which they called New Netherland. After 1657, they issued licenses at 20 guilders (about eight dollars) for the "small burgher right" entitling other traders to carry on business in the town of New Amsterdam. The "great burgher right," required of all who held office, whether political, ecclesiastical or military, cost 50 guilders.<sup>6</sup>

Wishing to hold their own with their English rivals, the Dutch company offered vast tracts of land in the Hudson Valley as feudal manors for any wealthy Dutchmen who brought out at their own expense fifty families of tenants.<sup>7</sup> Several great estates were set up in this way, but only the Kiliaen Van Rensselaer tract of more than 700,000 acres near Albany was actually developed and maintained on the manorial basis. Van Rensselaer was left undisturbed when the British and their fur traders took over the Dutch colony in 1664. New Netherland as a whole then became a proprietary possession of the King's brother, the Duke of York. But, as we have noted, the Duke passed on to two of his friends the sparsely settled lands east of the Delaware River which were later developed by groups of Proprietors as East New Jersey and West New Jersey.

## DISPLACING THE INDIANS

The fact that North America was the home of another people who might not welcome the arrival of European settlers was scarcely taken into consideration. These "Indians" were regarded