

Charles Beard, An Economic Interpretation of the Constitution (1913)

A. Overview | Beard argued that:

1) The Constitution was an economic, anti-democratic document proposed and ratified by holders of personalty (including merchants, money lenders, security holders, manufacturers, shippers, capitalists, and financiers and their professional associates) and opposed by holders of realty (including nonslaveholding farmers and debtors).

2) Anti-democratic for three reasons:

a. the positive powers in the Constitution, including the power to lay and collect taxes, to regulate interstate and foreign commerce, to raise and support naval forces, and to dispose of western lands, were designed to benefit the interests of the capitalists.

b. the system of checks and balances in the Constitution was designed to “break up the attacking forces [of popular majorities] at the starting point” and thus ensure that capitalists could secure legislation advantageous to their interests.

c. the Constitution explicitly forbade state legislatures from emitting paper money or passing laws impairing obligations of contract.

3) The members of the Philadelphia convention were “immediately, directly, and personally interested in, and derived economic advantages from, the establishment of the new [Constitutional] system.”(149-150).

“It cannot be said, therefore, that the members of the Convention were ‘disinterested.’ On the contrary, we are forced to accept the profoundly significant conclusion that they knew through their personal experiences in economic affairs the precise results which the new government that they were setting up was designed to attain. As a group of doctrinaires ... they would have failed miserably; but as practical men they were able to build the new government upon the only foundations which could be stable: fundamental economic interests (150-151).

B. A survey of the economic interests of the members of the Convention presents certain conclusions

- A majority of the members were lawyers by profession.
- Most of the members came from towns, on or near the coast, that is, from the regions in which personalty was largely concentrated.
- Not one member represented in his immediate personal economic interests the small farming or mechanic classes.
- The overwhelming majority of members, at least five-sixths, were immediately, directly, and personally interested in the outcome of their labours at Philadelphia, and were to a greater or less extent economic beneficiaries from the adoption of the Constitution.

1. Public security interests were extensively represented in the Convention. Of the fifty-five members who attended no less than forty appear on the Records of the Treasury Department for sums varying from a few dollars up to more than one hundred thousand dollars.

Among the minor holders were Bassett, Blount, Brearley, Broom, Butler, Carroll, Few, Hamilton, L. Martin, Mason, Mercer, Mifflin, Read, Spaight, Wilson, and Wythe. Among the larger holders (taking the sum of about \$5000 as the criterion) were Baldwin, Blair, Clymer, Dayton, Ellsworth, Fitzsimmons, Gilman, Gerry, Gorham, Jenifer, Johnson, King, Langdon, Lansing, Livingston, McClurg, R. Morris, C.C. Pinckney, C. Pinckney, Randolph, Sherman, Strong, Washington, and Williamson.

It is interesting to note that, with the exception of New York, and possibly Delaware, each state had one or more prominent representatives in the Convention who held more than a negligible amount of securities, and who could therefore speak with feeling and authority on the question of providing in the new Constitution for the full discharge of the public debt:

Langdon and Gilman, of New Hampshire.

Gerry, Strong, and King, of Massachusetts.

Ellsworth, Sherman, and Johnson, of Connecticut.

Hamilton, of New York. Although he held no large amount personally, he was the special pleader for the holders of public securities and the maintenance of public faith.

Dayton, of New Jersey.

Robert Morris, Clymer, and Fitzsimons, of Pennsylvania. Mercer and Carroll, of Maryland.

Blair, McClurg, and Randolph, of Virginia. Williamson, of North Carolina.

The two Pinckneys, of South Carolina. Few and Baldwin, of Georgia.

2. Personalty invested in lands for speculation was represented by at least fourteen members: Blount, Dayton, Few, Fitzsimons, Franklin, Oilman, Gerry, Gorham, Hamilton, Mason, R. Morris, Washington, Williamson, and Wilson.
3. Personalty in the form of money loaned at interest was represented by at least twenty-four members: Bassett, Broom, Butler, Carroll, Clymer, Davie, Dickinson, Ellsworth, Few, Fitzsimons, Franklin, Oilman, Ingersoll, Johnson, King, Langdon, Mason, McHenry, C.C. Pinckney, C. Pinckney, Randolph, Read, Washington, and Williamson.

4. Personalty in mercantile, manufacturing, and shipping lines was represented by at least eleven members: Broom, Clymer, Ellsworth, Fitzsimons, Gerry, King, Langdon, McHenry, Miffiin, G. Morris, and R. Morris.
5. Personalty in slaves was represented by at least fifteen members: Butler, Davie, Jenifer, A. Martin, L. Martin, Mason, Mercer, C.C. Pinckney, C. Pinckney, Randolph, Read, Rutledge, Spaight, Washington, and Wythe.

It cannot be said, therefore, that the members of the Convention were "disinterested." On the contrary, we are forced to accept the profoundly significant conclusion that they knew through their personal experiences in economic affairs the precise results which the new government that they were setting up was designed to attain. As a group of doctrinaires, like the Frankfort assembly of 1848, they would have failed miserably; but as practical men they were able to build the new government upon the only foundations which could be stable: fundamental economic interests (150-151).

A. Personality in Money

- Personal property in the form of money on hand, money at interest, or money seeking investment

Money capital was suffering in two ways under the Articles of Confederation. It was:

a) **handicapped in seeking profitable outlets** by the absence of protection for manufacturers, the lack of security in investments in western lands, and discriminations against American shipping by foreign countries.

b) It was also being **positively attacked** by the makers of paper money, stay laws, pine barren acts, and other devices for depreciating the currency or delaying the collection of debts.

Creditors, naturally enough, resisted all of these schemes in the state legislatures, and failing to find relief there at length turned to the idea of a national government so constructed as to prevent laws impairing the obligation of contract, emitting paper money, and other with benefiting debtors.

B. Personality in Public Securities

- Even more immediately concerned in the establishment of a stable national government were the holders of state and continental securities. The Government under the Articles of Confederation was not paying the interest on its debt and its paper had depreciated until it was selling at from one-sixth to one-twentieth of its par value.

The advantage of a strong national government that could discharge this debt at its face value is obvious; and it was fully understood at the time.

The amount of the public securities of the United States and of the several states at the establishment of the new government was estimated by Hamilton, in his first report on credit, as Secretary of the Treasury. The foreign debt, that is, money borrowed abroad, was fixed at . . . \$11,710,378.62. The domestic continental debt, including the registered debt, army certificates, etc., amounted to . . . \$40,414,085.94. The amount of the state debts was unknown in 1790, but Hamilton placed it at about \$25,000,000.

The enormous total of the national debt after state and national securities were funded is shown by Hamilton's report of January 16, 1795:-

Foreign Debt	\$13,754,379.35
Funded Domestic Debt (continental+state)	60,789,914.18
Unsubscribed Debt	1,561,175.14
Total Unredeemed Debt	\$76,096,468.67

It is evident from this statement that a vast mass of state and continental securities was scattered throughout the country in 1787. . . . If we leave out of account the foreign debt, it appears that some \$60,000,000 worth of potential paper lay in the hands of American citizens in the spring of 1787. This paper was changing hands all of the time at varying prices. The common selling price in good markets before the movement for the Constitution got under way ranged from one-sixth to one-tenth its face value; and some of it sold as low as twenty to one. In fact, many holders regarded continental paper as worthless, as it might have been had the formation of the Constitution been indefinitely delayed.

It seems safe to hazard a guess, therefore, that at least \$40,000,000 gain of the Constitution and the sound financial system which it made possible.

Beard then calculates the total taxable value of all the lands in the thirteen states at \$400,000,000 and says that PERSONALTY IN PUBLIC SECURITIES would have represented one-tenth of the total taxable value of all the land in the thirteen United States at the time of the formation of the Constitution.

C. Personality in Manufacturing & Shipping

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

The supporters of the Constitution were so earnest and so persistent in their assertion that commerce was languishing and manufactures perishing for the lack of protection that there must have been some justification for their claims, although it is impossible to say how widespread the havoc really was.

That innumerable manufacturing, shipping, trading, and commercial interests did, however, look upon the adoption of the Constitution as the sure guarantee that protection could be procured against foreign competition, is fully evidenced in the memorials laid before the Congress in April, May, and June, 1789, asking for the immediate enactment of discriminatory tariff laws"(42).

D. Capital Invested In Western Lands

- Although companies had been formed to deal in western lands on a large scale before the Revolution, it was not until the close of the War that effective steps were taken toward settlement.

"the number of emigrants, the cheapness of the lands, and the lack of an established system of sale in small quantities offered many inducements for the formation of great land companies whose opportunities for speculation were increased by the depreciated currency and general ignorance concerning the West.

'All I am now worth was gained by speculations in land,' wrote Timothy Pickering [a member of the Pennsylvania ratifying convention] in the same year [1796]; and many eminent men could have said the same. Land speculation involved Washington, Franklin, Gallatin, Patrick Henry, Robert Morris, and James Wilson, as well as many less widely known."

The situation was this: many wealthy people invested in land companies and land. However, the weakness of the Confederation, the lack of proper military forces, the uncertainty as to the frontiers kept the values of the large sections held for appreciation at an abnormally low price. Those who had invested their funds in these lands or taken stocks in the companies felt the adverse effects of the prevailing public policy, and foresaw the benefits which might be expected from a new and stable government. Their view was tersely put by Williamson, a member of the Convention from North Carolina, in a letter to Madison on June 2, 1788: "For myself, I conceive that my opinions are not biased by private Interests but having claims to a considerable Quantity of Land in the Western Country, I am fully persuaded that the Value of those Lands must be increased by an efficient federal Government"(50).

OPPOSITION TO THE CONSTITUTION ACCORDING TO BEARD

"Opposition to the Constitution almost uniformly came from the agricultural regions, and from the areas in which debtors had been formulating paper money and other depreciatory schemes." In general, therefore, the ratification battle was a "deep-seated conflict between a popular party based on paper money and agrarian interests, and a conservative party centred in the towns and resting on financial, mercantile, and personal property interests generally"(292).