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Engaged Citizenry Workshop

The Economic Crisis of the 1780s and the Constitutional Remedy

1. Why is the economic crisis of the 1780s is so often ignored?

- A. The contraction of the economy: GNP declined by 46% from 1774 to 1790
- B. Charles Beard's legacy: discrediting the study of class?
- C. Towards a different view of class . . . and "faction"

2. Economic Crisis and Fiscal Policy

- A. Scarcity of money and credit
- B. Enormous public (state and national) debt from the war
- C. Tripling/ quadrupling of state taxes to retire the debt
- D. "An epidemic of foreclosures"

3. Socio-economic, "Class" Conflict

- A. Debtors and creditors
- B. Taxpayers and creditors
- C. Pre-industrial class conflict: social gentry who speculated in government debt, traded in commerce, and held large tracts of land, versus yeoman farmers, artisans, and tenants (setting aside, for the moment, the population of African slaves)

4. Crowd Violence: a problem reaching across *all* of the states

- A. Shays' Rebellion was not an isolated event
- B. Contentious politics in New Hampshire, Maryland, Pennsylvania, South Carolina, and elsewhere

5. Madison's View of Faction: a different take

"According to Republican Theory, Right and power being both vested in the majority, are held to be synonymous. According to fact and experience a minority may in an appeal to force, be an overmatch for the majority. 1) if the minority happen to include all such as possess the skill and habits of military life, & such as possess the great pecuniary resources, one-third may conquer the remaining two-thirds. 2) one-third of those who participate in the choice of the rulers, may be rendered a majority by the accession of those whose poverty excludes them from a right of suffrage, and who for obvious reasons will be more

likely to join the standard of sedition than that of the established Government. 3) where slavery exists the republican Theory becomes still more fallacious.” James Madison in “Vices”

6. The Constitutional Solution

- A. The Republican Guarantee Clause: Article 4, Section 4
- B. States divested of their powers to shape monetary policy and interfere with contracts: Article 1, Section 10
- C. Monetary policy and the collection of taxes centralized: Article 1, Section 8
- D. Control over indirect taxes (tariffs) centralized: Article 1, Section 8

7. The Funding and Assumption of the Debt: the Founding Bailout

- A. Relieved states of their debt burden
- B. Lowered direct taxes: positive sum solutions to class conflict

Discussion Questions (a couple of questions that might structure a classroom lecture and discussion):

Why were Pennsylvania farmers closing roads in the mid 1780s? What were they afraid of?

How does an appreciation of the economic plight faced by farmers throughout the states help us to understand the Anti-Federalist movement?

Recommendations for Further Reading:

* Alan Taylor, *Liberty Men and Great Proprietors: The Revolutionary Settlement on the Maine Frontier, 1760-1820* (Chapel Hill: University of North Carolina Press, 1990).

Terry Bouton, *Taming Democracy: “The People,” the Founders, and the Troubled Ending of the American Revolution* (Oxford: Oxford University Press, 2007). [A political and economic history of agrarian discontent in Pennsylvania.]

David Brian Robertson, *The Constitution and America’s Destiny* (Cambridge: Cambridge University Press, 2005). [A political scientist’s perspective on the Constitutional Convention.]

Saul Cornell, *Anti-Federalism & the Dissenting Tradition in America, 1788-1828* (Chapel Hill: University of North Carolina Press, 1999). [A study that forces us to set aside our concept of “Anti-Federalism,” and instead focus on *Anti-Federalisms*.]