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Relationships, Credit, and Value: Analyzing Money as a Social Institution in Late Eighteenth-Century Virginia

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Relationships, Credit, and Value: Analyzing Money as a Social Institution in Late-Eighteenth-Century Virginia

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of the College of William and Mary in Candidacy for the Degree of
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ABSTRACT

In this project I define money, in opposition to the standard neoclassical definition, as the system of credit and payments that allowed trade to occur. The credit system of late-eighteenth-century Virginia functioned through relationships between merchants and planters. Because credit was built on honor and social standing, perceptions of money, which cleared these honor-based credit exchanges, were bound up in honor and social standing. The purpose of this paper is to show that money in late-eighteenth-century Virginia was a social institution. Perceptions of money relating to credit and honor matter because the men who held these views set economic policies, which would become the foundation of the American economy.

In addition to John Mair’s 1789 *Book-Keeping Moderniz’d* I make heavy use of the Skipwith Family Papers housed in Special Collections at Swem Library for this project. A discussion of Virginia planters and British merchants will create a foundation on which to understand commercial relationships between the two. The relationship between Sir Peyton Skipwith, a Virginia planter, and Thomas Main, an English merchant, which began and effectively ended in the time period between the end of the Revolution and the founding of the First Bank of the U.S., will be analyzed, and money described, within a social institutional framework.
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This thesis is dedicated to Aaron, Lewis, and James.
Introduction

"In the rude ages of society, cattle are said to be the common instrument of commerce; . . . [as was] tobacco in Virginia" wrote Adam Smith in *the Wealth of Nations*, a book on which the ideas of classical economics were built. Classical, and later neoclassical, economists define money as an object: something that simultaneously acts as a unit of account, a store of value, and a medium of exchange. If one seeks to explain how goods and people are commodified in a market, one must have a countable, storable, widely accepted commodity—gold, tobacco—by which to value goods and people. Economists have long held that emotion is important for understanding the value of money because, whether commodity-based or fiat, that value is set through the interactions of people. But the classical view of money leaves less room for an examination of trust in the social relationships that underlie the creation of money through credit. Yet in late-eighteenth century, as we shall see, trust was a crucial conduit through which money was created. Tobacco as an object was not all that was required to make money work.¹

In rejecting the classical view of money as object, the economist Felix Martin and the anthropologist David Graeber borrow from the ideas of American financier Thomas Smith, writing in the early nineteenth century, and economists John Maynard Keynes and Alfred Mitchell-Innes, writing in the early twentieth century. These writers reject the idea that money is simply a medium of

exchange. They argue that it is more important to our understanding of money to contextualize it in terms of credit. This credit must be available in the market and payment systems that underlie trade. By this line of reasoning, the dollar as a measure of credit is more important than printed dollar bills that passed from one person to another. Viewing money solely in the abstract ignores the people, and questions of trust, in person-to-person interactions. This project will apply Martin and Graeber's argument about money and credit systems to late-eighteenth-century Virginia.2

In addition to scholars who write about credit and money specifically, this research will make use of an extensive historiography on eighteenth-century tobacco markets and society in Virginia. Jacob M. Price's *Capital and Credit in British Overseas Trade: The View from the Chesapeake, 1700-1776* is a detailed account of credit markets associated with the tobacco trade. Several studies will provide historical context for the individuals and institutions described here. The scholarship of Emory G. Evans and Douglas Bradburn focuses on the development of the economy and society prior to the Revolutionary War. John Mickle Hemphill II's 1964 dissertation describes economic conditions and the political results of business cycle fluctuations in the tobacco market in early eighteenth-century Virginia. The work of scholars such as Allan Kulikoff and Woody Holton will be used to describe planter Sir Peyton Skipwith and merchant

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Thomas Main’s place in the late-eighteenth-century economy of the Atlantic World. Thomas M. Doerflinger’s work on merchants in Philadelphia describes merchants’ role in economic development at the time of the Revolution.3

In this project, I define money as the system of credit and payments that facilitated trade. Credit became money when it was spent, and the two were not mutually exclusive, just as they are not today. I focus on money specifically instead of credit to understand the process of money creation before the institution of today’s fractional reserve monetary system. The credit system of late-eighteenth-century Virginia functioned through transatlantic relationships between merchants and planters. Because credit was built on honor and social standing, planters’ perceptions of money and the process of money creation were bound up in honor and social standing. The purpose of this paper is to show that money in late-eighteenth-century Virginia was a social institution.

Perceptions of money relating to credit and honor matter because the men who held these views set economic policies, which would be the foundations of the American economy to this day.

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In addition to John Mair's *Book-Keeping Moderniz'd*, a bookkeeping manual for British merchants, I make use of the Skipwith papers between 1784 and 1793 as the primary source base for this thesis. A discussion of Virginia planters and British tobacco consignment merchants will create a foundation on which to understand transatlantic commercial relationships between the two. I will analyze tobacco planters' perceptions of money by examining the relationship between Sir Peyton Skipwith, a Virginia planter, and Thomas Main, a London consignment merchant from the end of the Revolution to the emergence of a national banking system under the Constitution. I will also examine the correspondence between Skipwith and his local contacts and family to further flesh out the relationship between the Virginia elite and money.
Chapter 1—Money and the Business Cycle in Eighteenth-Century Virginia

Money

John Mair, writing *Book-Keeping Moderniz’d*, his 1789 manual for commercial British bookkeeping, directly addressed the connection between money and credit for eighteenth-century merchants. Money could be real or imaginary, but credit was used to facilitate transactions. Mair wrote that “By real money is meant, a certain quantity of metal, ... as a guinea, a crown, a shilling, a farthing, &c. in Great Britain.” In contrast, “by imaginary money we are to understand all denominations used to express such sums as have no real species, or coins, to answer for them, such as, a pound, a mark, an angel, a noble, a penny, &c. in Great Britain.” Real money was gold, silver, or copper. Imaginary money was not tied to quantities of precious metal but became money through the use of credit as it took the form of coins, currency, bills of exchange, or bookkeeping entries. For merchants in the eighteenth century, imaginary money was useful simply because it was one method by which transactions could be carried out. The problem with using gold and silver as money was moving it between countries; it was expensive (because of its weight), unsafe, and often illegal to do so. Instead, merchants’ money was bookkeeping debits and credits and the bills of exchange used to clear accounts were denominated in this “imaginary” money. Mair defined a *bill of exchange* as “a short written order for money, to be received in a place or country, for value paid in another.” He wrote that bills of exchange were “the only way merchants have to retire the balance of traffic from other kingdoms.” Because of the centrality of bills of
exchange to the business of merchants, the physical representation of money in
the form of coins and precious metals are ultimately of less importance than the
credit systems through which commercial transactions occurred. 4

What real and imaginary money was actually circulating in America during
the late-eighteenth century? Mair, writing before the United States began to
produce its own coinage, noted that “the gold coins most frequent, both in
Virginia and Maryland, are, pistols of all kinds, moidores, Joanneses, French
guineas, and some German pieces. The silver coins most common are Spanish
pieces of eight, French crowns, pistereens, and some few German pieces.”
However coins were relatively scarce throughout the eighteenth century. Virginia
even took the drastic measure of inflating the value of silver in the colony in the
first half of the eighteenth century to attract pieces of eight, but the scheme did
little to alleviate monetary needs. Any foreign silver or English coins that came
into Virginia left quickly to cover purchases from Great Britain. Instead imaginary
money in the form of bills of exchange and credit were used to clear debts.
Bookkeeping credit of course did not pass hand-to-hand in the same way that
printed money does today. However, Mair wrote that notes, receipts for tobacco
stored in a warehouse, and bills of exchange did change hands similar to printed

4 John Mair, *Book-Keeping Moderniz’d or Merchant-accounts by double entry, according to the
Italian form*, 5th ed. (Edinburgh: Bell and Bradfute, 1789), 345, 351-352; Bills of exchange can be
loosely equated to our paper checks of today; It might be helpful to offer definitions to terms that
might otherwise be read as synonyms for “money.” Late-eighteenth-century Virginians used
the term money specifically to refer to gold and silver coins. I am using the term more broadly to
include printed paper, bills of exchange, and account book credit. This definition gives me more
space to understand how the planter class conceived of ideas of money, credit, and banking.
“Cash” is used as it would have been understood in 1785 and 1985—cash is printed paper or
coins that are backed by specie or have intrinsic value. It could be pieces of eight or it could be
Virginia pound notes.
currency. Money in late-eighteenth-century Virginia took many physical forms including coins from multiple European empires, merchant bills of exchange, and bookkeeping entries. However it was overwhelmingly “imaginary” in nature.\textsuperscript{5}

John Hemphill in “Virginia and the English Commercial System” simply describes the money supply of Virginia as “specie, bills of exchange, short- and long-term credit.” His examination of money in Virginia is set earlier than the period described in this thesis, but is nonetheless helpful for understanding the development of the Virginia monetary system. Merchants used a British accounting system, as described by Mair in his handbook. The use of foreign money in the colonies was inconvenient; to balance the books, monies in these foreign currencies had to be converted to the pounds used by British colonies. English Bills of exchange accomplished the monetary movements needed for trade much more easily, conveniently, and safely. Hemphill writes that “the bill of exchange on a British merchant was the only money with face values in English denominations which circulated to any considerable extent in Virginia before the introduction of paper money in 1755. During the first half of the eighteenth century . . . Virginia currency was only a money of account.”

Hemphill argues that because merchants were the origin of the bills of exchange traded as money by Virginians, these men effectively became bankers. They could control the supply of money, issuing credit when the market climate was good, and calling in debts during times of economic contraction. The resulting contraction of the money supply squeezed Virginians economically in

\textsuperscript{5} Mair, \textit{Book-Keeping Moderniz’d}, 350, 499-500.
addition to the financial hardships created by low tobacco prices. Jacob Price, in *Capital and Credit*, agrees that merchants controlled the supply of money in the colony. He argues that "in a commercial world with a money supply perceived as inadequate and a primitive banking system . . . the effective money supply was increased" by commercial credit. However, the centrality of the relationships between tobacco planters and merchants cannot be diminished. The creation of money through the issuance of credit would never have happened without these relationships.6

Looking past the physical representations of money in the form of Spanish dollars and tobacco itself and instead viewing money through its relationship to credit is particularly important for understanding the political economy of late-eighteenth-century Virginia because it was a time in which interactions transitioned from being socially oriented—based on ideas of trust and honor—to a later system in which market interactions were more impersonal, more commodified. The founding of the United States is a particularly interesting period in which to study the institutions of money and credit. The market required money as its lifeblood, but that money took many different forms—bank notes, credit entries, tobacco, bills of exchange, and foreign coins. Americans were in the throes of debate over what form the economy would take and what would comprise its currency. Underlying the debate about currency were individuals’ perceptions of money, which took shape as colonial subjects became citizens

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under the Articles of Confederation and again under the U.S. Constitution. Rhys Isaac, in *The Transformation of Virginia*, writes that “money not only expresses obligation in precise amounts but also instills the idea of obligation as calculable debt rather than as forms of service and submission.” Because most money was imaginary it could be shaped by culture. Everything that planters owned—crops, slaves, teapots—could be and was converted into money in their imaginations. Only rarely was its value settled with gold, silver, or even tobacco. In this sense money in the Virginia colonies always existed in a continuum of credit and value influenced by the social institutions through which it was created.7

However, though this project focuses on the social institution of money in Virginia, the transatlantic aspect of money cannot be ignored. Money was a force that transcended state, nation, and empire. Even as the new American nation formed a government under the Constitution and shaped a national economy, monetary systems in place for centuries encouraged the continuation of transatlantic social and economic networks. For Virginia planters these networks remained more important than national systems and networks for years to come.

*The Business Cycle*

Even in an economy where the money supply was ostensibly derived from gold, silver, and copper, an economic cycle of boom and bust prevailed. Throughout the eighteenth-century tobacco planters and merchants rode the

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business cycle. During times of peace, when demand for tobacco was higher than production, prices rose. Merchants issued credit to planters freely. Virginia tobacco growers enjoyed economic prosperity, running up debts for carriages, books, and clothing as merchants issued bills of exchange, which circulated freely as cash. Strong economic conditions also encouraged planters to invest in the production of tobacco and later wheat, clearing land and buying slaves. However in times of war or following a glut in the tobacco market, prices fell and the money supply shrank as merchants called in existing credit and refused to extend more. These business cycle fluctuations continued throughout the eighteenth century, and exacerbated the problem of a constantly insufficient supply of money. During economic recession when an expansion of the money supply might have brought relief, credit instead dried up, contracting the money supply.

The time period examined in this research—1783 to the early 1790s—were no exception to the cycle of boom and bust that merchants and planters experienced throughout the century. Following the Revolutionary War there was a brief return to economic prosperity. When hostilities ended and ports reopened, tobacco planters saw a boom in 1783 and 1784. Both hoped that pent up demand would drive tobacco prices up, but that optimism proved short lived. The rest of the 1780s brought an economic bust for a number of reasons. Doerflinger writes in *A Vigorous Spirit of Enterprise* that the war changed the real economy in the American colonies in two ways. During the war the center of trade moved away from ports to escape the British army. Wagons moving goods over poor
inland roads were much less efficient than wind-powered trade ships. In addition, the war destroyed agricultural land, which hurt output. In short the war changed the economic landscape significantly for planters and merchants. But the real economy was not the only reason for economic stagnation; monetary issues also plagued the late 1780s. War debts necessitated high taxes and the weak Confederation government lacked the ability to create a strong, stable currency. Inflation destroyed the value of government-issued bonds leaving investors with no capital to develop farms and businesses.

The economy stabilized in the 1790s in part because of the U.S. Constitution and the economic development policies pursued by Alexander Hamilton. The new government was strong enough to tax its citizens to pay its bills. A mint, creating real money, and the Bank of North America and others, issuing imaginary money in the form of notes, countered monetary shortages. Hamilton is credited as the chief proponent of the Bank of the United States, which provided credit on which the new American economic would grow. By the early 1790s, Peyton Skipwith’s correspondence shows the use of bank notes denominated in dollars, the new national currency. However, while other parts of the nation began to develop economically the Virginia planter elite held on to its colonial ideas of social power and money creation.
Chapter 2: The People Involved in Money Creation

Elite Virginia Planters

Peyton Skipwith was born in Virginia in 1740. When his father, Sir William Skipwith, died in 1765, he passed along to his second son the baronetcy and multiple landholdings. According to Jackson T. Main, tax records show that in 1780 Skipwith was one of the one hundred wealthiest individuals in Virginia.

While the Virginia gentry has been extensively studied and written about, published scholarly works on the Skipwith family have been limited to a few local publications. The published works that include biographical information on Sir Peyton Skipwith generally assert that, based on his writings, he was not particularly scholarly or active politically in the same way as other Virginia planters such as Thomas Jefferson or Patrick Henry. It is for precisely this reason that the papers of Sir Peyton Skipwith make an excellent subject for the study of money in Virginia—the papers of the Skipwith family were presumably written with less political or intellectual bias than those of other elites in Virginia (the papers of St. George Tucker or Thomas Jefferson, for example) but their business transactions still clearly show that money was indeed social and political.8

Why should a study of the perceptions of money in Virginia focus on elites like Sir Peyton Skipwith? The aim of this paper is to use the transactions between Skipwith and primarily transatlantic merchants, but also other planters, local merchants, and yeoman farmers in the community. Skipwith plays a central role in this discussion, but he is not the only subject. The archived correspondence of the Skipwith family includes the words of the individuals who made up a much larger network and who represented a broad range of economic, political, and social levels. Using the correspondence of an elite like Skipwith can help the historian understand many different segments of society.

Approaching money through an individual like Skipwith presents several limitations. Because this thesis uses written correspondence, only transactions with literate people and only those that were written down can be examined. Correspondents were mostly men. Also because of the business nature of the papers, only those with the wealth and social standing to carry out transactions with Skipwith will be represented. For these reasons a discussion of the perceptions of money held by women, the enslaved, and the poorest of the free population will not be included in this examination.

It is worth noting that a survey of the personal and business transactions of the Skipwith family do not include interactions with individuals outside the geographic area of the tobacco trade. In the late-eighteenth century, the personal and business concerns of the family were clearly oriented toward the Atlantic World of the tobacco trade, instead of either the Commonwealth of Virginia or the new United States. Skipwith wrote to and received letters from his Virginia
neighbors; merchants in Petersburg, Virginia, Glasgow, and London; and family in Great Britain. He only occasionally corresponded with merchants or planters in Maryland and South Carolina. During this period, there is no correspondence from contacts in the Caribbean or north of the tobacco-growing Chesapeake region. Within Virginia, Skipwith’s papers represent primarily people living in the Southside and Tidewater regions.

The absence of correspondence with people in the Caribbean is curious. John Mair, in *Book-Keeping Moderniz’d*, wrote that the tobacco colonies “bring home rum, sugar, molasses, and cash” from the West Indies. Mair also noted “Virginia alone receives yearly L. 16,000 Sterling in cash, from their neighbours in Pennsylvania.” Was Skipwith not, unlike his neighbors, selling pitch, tar, and foodstuffs to the West Indies? Were the merchants with whom Skipwith transacted simply not distinguishing the destinations of his exports or the origins of his imports? If Virginians were using Spanish and Portuguese coins procured through trade with the Caribbean, that region cannot be ignored in an examination of money in Virginia. A complete survey of money in the Atlantic World would address these questions. A short answer is that though Virginians used silver coins in monetary exchange, the great majority of commercial transactions were carried out in book credit and appear to have been often cleared with agricultural produce. While gold and silver had a place in pre- and
post-Revolutionary Virginia, it was imaginary money that was the lifeblood of the economy.⁹

This discussion of money and credit in late-eighteenth-century Virginia makes use of T. H. Breen's classic, *Tobacco Culture*. Breen writes that planters were animated by a "culture of debt" and that "over the course of the eighteenth century, the great tobacco planters . . . developed an elaborate mental framework that gave meaning and coherence to commercial transactions, to ongoing exchanges with merchants living thousands of miles away and often involving complex credit arrangements." Breen writes that Virginia planters were obsessed with debt, which had deep cultural meanings. Perceptions of debt related to ideas of honor and morality. Merchants, by contrast, spoke of debt using a "common commercial vocabulary," and have been regarded by many historians as being what modern observers might call more "business-like," or pragmatic and sober. This difference in vocabulary and culture led to conflict and disagreement. Planters viewed often merchants suspiciously, fearing that merchants sought to control them. This is not surprising given that debtors, especially those in financial straits, tend to either fear or hate their creditors. Mair's textbook approach to commerce supports Breen's (and others') characterization of merchants. This project expands Breen's description of debt. If debt gave rise to money in the form of bills, and debt is a question of honor,

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then planters’ perceptions of money are also bound up in their sense of their own honor.\textsuperscript{10}

How did the unique system of credit and commercial relations and the social interpretation of these phenomena by the Virginia elite develop through the eighteenth century? Emory Evans, in his account of the genesis of Virginia’s First Families, argues that their economic, political, and social rise began after the Glorious Revolution. Virginia’s tobacco planters, many of them members of the English aristocracy (as Skipwith was), built sizable fortunes in the colony growing tobacco, but also trading slaves and employing to their advantage the government positions and tracts of land granted to them by the governor. Evans writes that British tobacco planters in Virginia began to see themselves as Virginians by the late-seventeenth century. The families who saw their wealth grow throughout the seventeenth and into the eighteenth century consolidated wealth through marriage and used their economic position to gain political and social power. Ultimately economic and political changes in the eighteenth century culminated in the end of the hegemony of Virginia’s elite families. Commercial relationships and the monetary system were important factors in that decline.

Interestingly, historians have tended to see a change in planters from the seventeenth to the eighteenth century. Doerflinger in his examination of

\textsuperscript{10} T. H. Breen, Tobacco Culture: The Mentality of the Great Tidewater Planters on the Eve of the Revolution (Princeton: Princeton University Press, 1985), 23, 29-30; While borrowing some of Breen’s analysis of late-eighteenth-century planters, this research does not directly support Breen’s argument that the “culture of debt” led to the American Revolution. Breen argues that resentment on the part of planters toward merchants during the 1760s and 1770s led to planters’ rebellious politics. The Skipwith family correspondence shows a mutually praised resumption of trade with merchants immediately following the revolution. Sir Peyton Skipwith’s relationship with merchant Thomas Main is an example of a commercial relationship spoiled by unmatched notions of honor, but the entire episode occurs after the end of hostilities.
Philadelphia merchants, *A Vigorous Spirit of Enterprise*, credits this “spirit of enterprise” for the success of these merchants. By contrast, Virginia planters lacked a similar spirit. The seventeenth century forbears of Peyton Skipwith, according to Doerflinger, were true entrepreneurs having been the sons of aristocrats or successful merchants before their emigration to the new world. And while eighteenth-century tobacco planters were rational businessmen, they lost what the financial historian refers to as the “spirit of entrepreneurship, a driving compulsion to swiftly develop a powerful, dynamic economy” by the third generation. Doerflinger instead characterizes elite Virginia tobacco planters as simply managers by the eighteenth century. Philadelphians lacking the necessary entrepreneurial spirit were weeded out by insolvency and replaced by more enterprising men. This same Schumpeterian cycle of creative destruction was hampered in Virginia by high barriers to entry into tobacco planting. Specifically land, the holding of which was concentrated in the hands of a few, represented economic power and rarely changed hands. The result was an elite that stagnated economically, was precariously propped up by debt, and was not easily replaced by upstarts.¹¹

Throughout the colonial period tobacco produced in Virginia was sold through merchants to Great Britain. Two systems for disposing of tobacco crops emerged. An older consignment system existed in which planters developed a trading relationship with London merchants. The consignment merchant purchased the produce of the planter on consignment and accepted orders for

English goods on his behalf. In addition, planters acted as middlemen between consignment merchants and smaller farmers and tenants, shipping their tobacco to sale along with the planters’ own and putting in orders for London goods. When the tobacco sold after arrival in Great Britain, the proceeds from the sale would be used to pay for the planter’s London purchases. Any deficit between the sale of the tobacco and the price of the planter’s goods would become a debt owed to the merchant, which the planter usually hoped to cover with the next shipment of tobacco. Price writes that it could sometimes take up to four years to settle one year’s deficit. In the meantime, planters and merchants corresponded regularly. The relationship highlighted in this thesis, that of tobacco planter Skipwith and consignment merchant Thomas Main, was just such a commercial relationship.

The second system of tobacco sales arose in the colony in the early eighteenth century as a competitor to the established consignment system. In the merchant store system, which began earlier in the century, but expanded rapidly after 1760, Scottish merchants established stores to sell goods to smaller farmers. Factors purchased the small shipments of tobacco of the farmers, which were aggregated into bulk shipments. Taking advantage of lower bulk freight costs allowed Scottish merchants to pay higher prices more quickly for the tobacco of small farmers, cutting elite planters and consignment merchants out of the business. Evans writes that “by midcentury Scottish traders controlled over one-half of Chesapeake tobacco exports.” However, wealthy planters like Skipwith continued to trade with consignment merchants until late in the
eighteenth century. Issues of trust and growing debts strained these distant commercial relationships.\textsuperscript{12}

The consignment and merchant store systems, holdovers from older mercantilist notions of colonies as geographic locations held for the purpose of extracting wealth, presented multiple problems for tobacco planters and small farmers alike. John Hemphill, in his 1964 dissertation on commercial relations between planters and merchants, described the economic ebb and flow of the colony. He writes that in the early eighteenth century, falling tobacco prices were often triggered by the wars in which Great Britain was engaged. Wars would cause shipping costs to rise as ships were often engaged in war-related activities or shipping became dangerous. Higher costs and elevated risks because of war also meant fewer merchants buying tobacco, driving the price down. At the end of hostilities, trading would resume and pent up demand for tobacco would drive the price up. However soon enough a glut of tobacco in the market, which commonly followed a boom, would again depress prices. Virginia’s planters, already at the mercy of the weather, had little room in the merchant system to negotiate prices or credit terms. From planters’ perspective merchants’ power in the market derived in part from Parliament, where legislation always seemed to benefit the British commercial class. The lack of economic stability combined with the power merchants held over the tobacco market and the planters’ access to money led to rising levels of debt and frustration for the members of Virginia’s planter elite.

\textsuperscript{12} Evans, \textit{Topping People}, 99.
These problems were exacerbated by the Atlantic Ocean that stood between the planters and consignment merchants. Planters’ commercial relationships with smaller farmers and others in the community were based on local social relationships characterized by a mutually understood system of manners, bushels of apples shared, and farming advice given. The commercial relationships between planters and merchants, on the other hand, like the bills of exchange they used as money, were transatlantic in scope. Breen writes that planters, part of the local Virginia system, did not fully understand the broader markets of which they were part. Whenever economic conditions and their own financial choices pushed planters into debt and economic crisis caused merchants to tighten planters’ credit, merchants effectively constricted the money supply in Virginia. Planters, interpreting the process of money creation through their relationships with merchants, felt betrayed. Ultimately, neither the American Revolution nor the fledgling United States could stop the economic and political decline of the Virginia planter elite.

While small farmers do not figure prominently in this research, their role in the economy and monetary system cannot be ignored. Many of Skipwith’s commercial and social interactions involve men and women who were neither elite nor merchants. Holton, in *Forced Founders*, argues that farmers had an inferior place before the Revolution and that many of the actions of the Virginia elite during the Revolutionary years were to keep farmers down in that place politically, economically, and socially. Smaller farmers sold their tobacco almost exclusively through the merchant store system or elite planters. Planters, or
increasing stores as the eighteenth century unfolded, sold goods to their less wealthy counterparts. Just as planters found themselves in debt to merchants, the same forces pushed farmers into debt to planters and stores. Holton writes that elite Virginia planters feared the economic and political rise of these debt-ridden farmers. The business papers of the Skipwith family confirm the “web of influence” observed by Holton. Skipwith cajoled, threatened, and relied upon the less-wealthy, free men of Virginia, and these relationships were a conduit through which money and credit flowed in the Old Dominion.

**British Consignment Merchants**

In John Mair’s manual on bookkeeping, he wrote that in the eighteenth century, Britain exported “all manner of clothing, household goods, iron manufactures of all sorts, saddles, bridles, brass and copper wares, and, in short, a part of all our manufactures” to Virginia. Virginians, in turn, sent back tobacco, which Mair notes was consumed in Great Britain and re-exported, in addition to “tar, pitch, turpentine and some lumber.” At the time of the manual’s printing in 1789, Mair described three fourths of all the tobacco grown in Virginia and Maryland being purchased by merchants, with one fourth sold on consignment by merchants on behalf of planters. This consigned tobacco was traded for bills, which, according to Mair, were sold to Pennsylvania for sterling. However, the Skipwith family papers contain no references to bills sold to Pennsylvania. Perhaps Mair spoke of the optimal situation for consignment sales when the amount for which the consigned tobacco was sold more than covered the price of
goods purchased in England for the planter. In reality, and especially when
tobacco prices were low, tobacco consignments did not cover the purchases of
the planter, leaving him in debt to the London firm. Credit was a common theme
for planters and merchants and determined much about the business
transactions of each and the relationship between the two.13

Before and after the Revolution, Peyton Skipwith consigned tobacco
through John Hyndman & Co., one of fifty-six London merchant firms in the
tobacco consignment trade. Hyndman was a Scot who had been involved in
trade in Virginia for decades. John Hyndman & Co. was organized with partners
in 1774, and by 1775, the beginning of the pause in the Virginia tobacco trade
because of war, was the eleventh largest London tobacco firm. Hyndman was
still around after the end of the war, having used the West Indian trade to keep
the firm afloat until the end of hostilities.14

Hyndman would have known as well as any merchant that getting started
in the tobacco trade was expensive. Merchants needed at least several thousand
pounds in capital. There were profits to be made, but shipping across the Atlantic
was expensive and plagued by the risk that the ship would sink. In addition to the
shipping cost, the tobacco trade kept capital tied up for long periods of time.
Because of the high expense and length of time to complete transactions, credit
was as important to tobacco merchants as it was necessary and wearying to
tobacco planters. Price, in Capital and Credit in British Overseas Trade, writes

13 Mair, Book-Keeping Moderniz’d, 397, 496-497; According to Mair, slaves are neither a British
export nor a Virginia import from Great Britain, but an African export.
14 Jacob M. Price, “The Last Phase of the Virginia-London Consignment Trade: James Buchanan
that credit in the tobacco trade generally took four years to return. This length of
credit was unusually long compared to other sectors of British overseas trade.

The tobacco trade was a long business involving importing, exporting,
Atlantic voyages, and multiple individuals. The process kicked off when planters
agreed to sell hogsheads of tobacco to consignment merchants. The ship
carrying the tobacco would generally leave Virginia for London when it was full of
the tobacco of multiple planters. While the ship was en route to London, smart
merchants, fearing the loss of the cargo at sea, received word of the shipment by
express ship and insured the value of the cargo as soon as possible. When the
ships arrived safely in London the tobacco was again exported to points in
Europe. Morgan in *Bristol and the Atlantic trade* states that fully seventy percent
of London tobacco was then exported to other ports in Europe. (The other thirty
percent was processed and consumed in Great Britain.) Cheaper quality
tobacco, generally from Maryland, went to France, while higher quality Virginia
Chesapeake tobacco was shipped to the Netherlands and Germany. Merchants
employed brokers or tobacconists to sell imported tobacco to France, further
increasing their cost of doing business. The reexport business meant that
merchants did not always sell individual hogsheads of tobacco by grade, nor did
they sell the hogsheads of a single planter at once. More often brokers
purchased lots of tobacco of many different grades together. Merchants
approximated the grade of each planter’s tobacco when it was time to balance
the books and issue credits, giving the planter the impression that his tobacco
had sold individually according to its specific grade. This dissimulation is
interesting given that planters took great pride in the quality of their own produce and expected to be compensated accordingly. Trust was an important factor in merchant/planter relationships and any perceived problem with the process of grading and payment could be a source of conflict.

As in any business, tobacco merchants had to take care to manage cash flow, sometimes with credit. Price writes that ships bound for Virginia might also pick up coal in Ireland to sell in the colonies, and merchants used the linen trade to balance out credit needs in the tobacco trade. London commission merchants also engaged in the cargo trade later in the eighteenth century. Price writes that “those so involved would purchase ‘cargoes’ of British goods on credit (often twelve to fifteen months) for the account of local traders in the Chesapeake from whom they expected payment in tobacco or bills of exchange before the suppliers’ credit period expired.” Joshua Johnson, a London consignment merchant trading just before the American Revolution wrote to his partner in the Chesapeake that “I suppose a good many of them [planters] will order good. I should be glad they would.”

In addition to cash flow, other potential problems for merchants included timing the seasons correctly for the purchase of tobacco and the delivery of seasonal goods and labor problems in England where ships had to be loaded and unloaded. Despite these issues, London remained the leading port for the tobacco trade throughout the eighteenth century with the exception of the years

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of the American Revolution when Glasgow reigned. For their troubles successful tobacco merchants were well compensated, but generally did not achieve the level of wealth of British gentlemen.

Even if they had possessed the cash reserves of wealthy gentlemen, merchants preferred credit (imaginary money) to finance their business instead of cash (real, specie-based money) because not only was silver expensive to ship and illegal to export from Great Britain, but debits and credits were easier to record if one was moving book credits instead of literal coins. Also, bills of exchange resulting from trade across the Atlantic circulated as cash, passing hand to hand, and increasing the money supply in Great Britain and the colonies. And credit seems to have been readily available to those who qualified (although of course historians would have a much more difficult time learning about those merchants who were unable to attain credit). Price writes that interest rates were typically four and a half to five percent, but as economic theory would predict, the longer the term the higher the markup. For merchants, as for planters, debt was a rational tool of business despite the risks associated with it.

Price, in *Capital and Credit*, estimates, based on tobacco colony debt prior to the Revolution, that for the roughly £3 million of capital borrowed by merchants for use in the tobacco trade, £460,000 came from bonds, £440,000 originated with outside investors, £100,000 came from banks, and the final, largest portion of £2 million was commercial credit. Morgan writes that commercial credit typically came from warehousemen in the ports where tobacco was received. “These intermediaries were often wholesale linendrapers and ironmongers, and
some of them possessed considerable capitals.” Lending to tobacco merchants allowed the warehousemen’s cash to be put to productive use and earn a return instead of sitting idle. Bonds were typically made with anyone who had extra cash to put to productive use—retirees, widows, family members—and were a way for savers, like warehousemen, to earn a return. Accordingly, most bonds were for small amounts and originated in London. Bank lending represented the smallest portion of tobacco merchants’ capitalization. Banks seem to have considered merchants risky investments, filling their banking service needs, but not their credit needs. Merchants themselves sometimes transitioned to banking when they found themselves with excess liquidity to lend, but it was the warehousemen that provided capital to merchants in the eighteenth century who were able to successfully transform into the large banking institutions of the nineteenth century.16

Like Virginia’s tobacco planters, merchants were also affected by economic downturns. Bills of exchange were more likely to be protested when presented for payment. Credit access was limited. According to Price, merchants’ responses were similar to modern businesses in a recession. During panics they retrenched, limiting the credit they issued to planters and calling in those debts that were due. Merchants perceived these actions as business necessities while planters were more likely to view them as underhanded, and ungentlemanly, an affront to a planter’s honor, at a time when debtors sorely needed greater access.

16 Kenneth Morgan, Bristol and the Atlantic trade in the eighteenth century, (Cambridge: Cambridge University Press, 1993), 162; The absence of banking in the tobacco market from early on is especially interesting given tobacco planters later mistrust of banks and bank-issued currency.
to credit. Nevertheless, most merchant houses came out of economic downturns in the eighteenth century unscathed. Price notes only three bankruptcies of English Chesapeake merchants during the decade from 1761 to 1770. At least one merchant was able to take advantage of the economic depression of 1772 to enter the tobacco consignment business.

The biggest long-term threat to the London tobacco consignment business was not access to credit or economic downturns, but instead the Glasgow-centered tobacco firms who slowly pushed the consignment trade out of business. Morgan writes that selling tobacco on consignment was an efficient way to do business early in the eighteenth century when tobacco production was concentrated in the tidewater region of Virginia. Merchants knew the geography and the planters of the area. They knew who grew the highest quality of tobacco. As the century worn on, tobacco production moved west, with the majority of the crop grown not by a few members of the planter elite, but many smaller growers. Consignment merchants had a more difficult time accessing the credit-worthiness of these farmers and allowed planters to act as middlemen in buying tobacco and selling goods. When Glasgow-based tobacco firms established stores in the interior of Virginia, farmers could purchase goods at the stores on credit, which was discharged with tobacco. Factors quickly and efficiently filled ships with the tobacco of multiple growers. The efficiency manifested itself in cost savings for firms and higher tobacco prices for planters than those offered by consignment merchants. Evans, in “A Topping People,” writes that “by midcentury Scottish traders controlled over one-half of Chesapeake tobacco exports.” The store
system expanded even more rapidly after 1760. The choice of store or commission-based tobacco sales is one factor that set elite planters apart from and strained relations with their less wealthy neighbors. Virginia's elite stuck with the consignment trade through the eighteenth century. As they watched their economic, political, and social power wane at the end of the century, they experienced change in two of the relationships through which they defined their place in life. Consignment merchants who had issued credit to planters on their honor as growers of quality tobacco and gentlemen now refused further issue of credit and demanded payment. Simultaneously the farmers who had properly deferred to the elite planters earlier in the century took their tobacco and their purchases elsewhere.17

In an economy where the role of money creation happened through relationships such as planter and merchant, those relationships carried a great deal of economic importance. In his examination of the credit system underlying the tobacco trade in the eighteenth century, Price investigates these relationships from the perspective of the merchant. He writes that merchants, both those who worked on consignment and those who traded out of stores, risked as much as planters in engaging in the tobacco trade. Merchants had to trust that planters would send good quality tobacco and that when that tobacco sold, the planter would pay any debts resulting from a difference between the sale and the planter's order. The difference in the merchants' and the planters' perception of

these relationships, as we shall see, is that merchants generally understood these commercial and credit relationships as business relationships. Planters, based on their letters, tended to view these relationships in more personal terms, wrapped up in assumptions about honor.

Divergent views of the relationship between merchants and planters, and also of that between farmers and planters, is important to the discussion of money because it reaches to the heart of how money was created in the eighteenth century. Virginia had no banks in the late-eighteenth century to issue and lend money, two activities that are so closely related as to be almost indistinguishable in effect. According to Mair’s descriptions of trade and money in Virginia, it was merchants who played this role for tobacco planters. Merchants issued credit based on the graded quality of a planter’s tobacco and the likely course of tobacco market prices. Historians seem to agree. Hemphill in his 1964 dissertation included a discussion of the use of bills of exchange as a circulating medium. “In the process,” he writes, “the merchants became, willy-nilly, bankers for their Virginia correspondents.” As implied, merchants did not set out to fill this money creation role. Instead it evolved consistent with the history of money around the world as market, credit, and monetary needs evolved.18

Price writes that despite cracks in the genial relations between merchants and planters and the growing competition from the merchant store trade, it was completely rational for consignment merchants to extend additional credit to

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planters before the commencement of the American Revolution. During this period the price of property and the population of Virginia were rising. Productivity and the overall production of tobacco were expected to rise along with these factors. Even after the war when questions of debt repayment were murky, Virginians did not hesitate to reengage London firms because these firms were willing to make credit available. Merchants' role in limiting planters' access to credit and restricting the money supply during the poor economic conditions that followed the end of hostilities angered planters and underscored problems with the economic relations through which Virginians had experienced the process of money creation. However, as will be described below, the tobacco market did not continue in the same fashion as before the war and the economy did not grow long before its subsequent contraction.

P. Blackbourn, a fellow Virginian whom Sir Peyton Skipwith asked to carry out business on his behalf, wrote Skipwith from Fredericksburg in April of 1781, wrote to Sir Peyton Skipwith that “this cursed invasion has thrown everything into confusion.” The “cursed invasion” to which he referred was the British invasion of Virginia. Instead of being an assault on their liberty, Blackbourn saw the invasion as cursed because it destroyed the “improvements” the men had made to their land and because it prevented travel and commerce. Within two years the war would be decided in favor of the United States, and Virginia planters would attempt to resume their commercial interactions with consignment merchants. In many ways, the American Revolution was felt as an intrusion in their commercial lives. Woody Holton, in *Forced Founders*, argues that the wealthy gentlemen
who declared independence from Great Britain, and led the war effort to secure that independence, did so not because they wanted changes to the economic system. Instead, Holton writes that Virginia gentlemen responded out of fear of farmers and poor whites agitating for change. Following the Revolution, these men hoped their economic relationships would go back to pre-war norms. The transactions of wealthy Virginians would remain oriented toward the Atlantic economy they knew.19

At the end of the war, British merchants and Virginia planters were both eager to resume trading relationships that were stalled during the Revolution. Prior to the war, Skipwith had enjoyed what were apparently financially successful commercial relations with tobacco consignment merchant John Hyndman; Hyndman sought him out at the end of the war to continue the relationship.

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19 P. Blackbourn to Skipwith, 9 April 1781, SFP.
Chapter 3: The Relationships of Money Creation

In this chapter I will analyze the relationships through which money was created in the eighteenth century, in contrast to money creation through a banking system, which is the process in our modern economy. The relationships profiled are of two natures: those between planters and merchants, and those of planters and their neighbors. The business correspondence of Peyton Skipwith can be divided into these two categories. Elite Virginia planters maintained economic and, from their perspective, social relationships with merchants and neighbors. Each transaction should be understood as part of a larger series of interactions through which Skipwith experienced the community around him.

Money, real and imaginary, was central to everyday life. Trade simply could not have occurred without money. Mair, offering a broad perspective, goes into great detail in his bookkeeping manual on what monies countries and regions used, how to account for money in a merchant’s books, and how to use bills of exchange. At the microeconomic level the Skipwith Family Papers testify to the centrality of money in trade and everyday life. Sir Peyton Skipwith’s correspondence is primarily business correspondence, and while some of it describes orders for things such as corn and books, most of the letters address the clearing of debts and settling of accounts. Bonds, receipts for purchases, and letters regarding the activities of tobacco merchants working on behalf of Skipwith all primarily describe the movement of money or value from one person or business to another.
Even the personal correspondence of the family almost always includes a discussion of money or its related themes of prices and economic value. When, in 1793, John Stark Ravenscroft wrote to his aunt and uncle Skipwith, he told them of his current “spell of the ague and fever,” which was one of many reasons he was unable at the time to visit them. Even though his letter is personal in nature (as are the multiple letters from this nephew to his aunt and uncle in the collection), Ravenscroft also makes note “that the price of everything made in this country falls daily & when in Petersburg I was informed that every thing was expected to bring a lower price, and all according to the scarcity of money.” The nephew’s description of deflation in Virginia was in response to a question from his uncle about the price of a certain piece of land. Even a personal letter mentioned money directly. Money was woven into daily life. Nearly all Virginians daily used some form of it, were aware of its value, or took some action because of it.20

For much of the American Revolution, and particularly between the 1781 invasion of Virginia and the 1783 peace, trade and personal networks between Virginians and others in the Atlantic World were effectively halted. Money in the form of coins and bills of exchange flowed less freely as Virginians navigated wartime blockades and diverted resources. When the dust settled and American political ties to Great Britain had been effectively severed, Atlantic-orientated trade and social networks remained as strong as before the rebellion. It would be

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20 John S. Ravenscroft to Skipwith, 28 September 1793, SFP; This letter also illustrates the blurring of personal and commercial communications, consistent with a planter class who assigned social meaning even to commercial interactions.
many years before these networks lost their British orientation and individuals instead saw themselves as part of the economy of the new American nation.

*Planters and Merchants*

In 1784 John Hyndman, the London tobacco merchant with whom Sir Peyton Skipwith had traded before the war, wrote to Skipwith to celebrate “the conclusion of the late unhappy war.” Hyndman stated in his short letter that “it will give us very great pleasure to renew our correspondence.” The war had in effect only temporarily paused the commercial relationship between Skipwith and his British tobacco merchants. At the time of his writing, Hyndman was in possession of reports of the most recent sales of Skipwith tobacco, which it had been impossible to deliver during hostilities. The established trading networks quickly resumed their work with the hope, soon to be dashed, of transforming tobacco into credit and credit into British goods with profit to spare. Even though the purpose of the Revolution was to break the political bonds that held Virginia and its fellow colonies to Great Britain, trade, the basis of which was the pound as a unit of account, barely registered a change after the conclusion of the war.21

By 1784 Hyndman may have been thinking of retirement or was ailing physically (he died the following year) when he introduced his nephew, Thomas Main to Sir Peyton Skipwith. Main was a young merchant who was brought into his uncle’s successful merchant business as a partner with the expectation that the nephew would take over for the uncle. The timing of this introduction is

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21 John Hyndman and Co. to Skipwith, 28 February 1784, SFP.
important because it shows the merchants’ impatience to get back to trading. Not six months past the official end of the war, Hyndman wrote of “the last unhappy war.” Ready to renew his house’s trading relationship with Skipwith and disregarding any political, economic, or social changes resulting from the American Revolution, Hyndman expected the relationship to pick up where it left off. This was also literally the case as Skipwith’s tobacco from 1775 was still sitting in warehouses waiting to be sold. Hyndman wrote that his nephew would be handling Skipwith’s business. He wrote the next day that Main had set off for America. Two months later Main arrived in Virginia at Petersburg, and opened his correspondence with Skipwith. Continuing with pre-war, established trading networks is consistent with the argument that money, credit, and honor are bound. Despite the political changes brought by the Revolution, merchants and planters were aware that money was created and exchanged based on transatlantic social relationships.  

In addition to the flexibility and portability of the system of pound denominated trade (even though if discharged in specie-backed coins it was often cleared in the imperial currency of Spain or Portugal), the weakness of the new American monetary system exacerbated the lack of national orientation. Under the Articles of Confederation, the national government issued Continental Currency, infamous for its fast and sharp decline in value. During the war the states also printed their own money. The Colony of Virginia began issuing bills of

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22 John Hyndman and Co. to Skipwith, 28 February 1784, SFP; John Hyndman and Co. to Skipwith, 1 March 1784, SFP; Thomas Main to Skipwith, 13 May 1784, SFP.
credit, effectively money, in 1755 and did so through the Revolution. The Continental Congress chartered the Bank of North America in 1781 to issue bills of credit to fund the war efforts, but states continued to print their own money through the 1780s when the bank's efforts failed to fulfill the need for currency.

Virginia's money was denominated in pounds and referred to in the Skipwith Papers as "currency of Virginia." Suffering from the same inflationary fate as that of the Continentals, Virginia currency was always discounted. While Sir Peyton Skipwith's correspondence shows that Virginia currency was accepted as money to settle accounts, Virginians seemed to prefer the use of gold, silver, and even tobacco. Americans, Virginians included, suffered from an overabundance of worthless money and a severe shortage of valuable and stable currency.\(^{23}\)

The ineffectiveness of the monetary system was one factor that made Virginians more eager to continue with the networks through which they had traded before the war. Donaldson and Stotts, merchants in Petersburg, wrote to Skipwith in December of 1785. The merchants were settling Skipwith's accounts, receiving and paying bills to and from a Mr. Main and a Mr. Street (both men were tobacco merchants, and presumably Main is Thomas Main). Donaldson and Stotts wrote that "with respect to that payment, we have only to say that all of it will pass currently there" (in Mecklenburg County, Virginia, Skipwith's home). The merchants did more than just respond to an assumed fear that the Virginia

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currency Skipwith had been paid would lose its value, they actually insured against the loss when they wrote, "but if it can not [unreadable] with you, we will exchange it, and if you cannot send it down for that purpose, we must expect to repay you any loss that may take place on passing it." With what would Skipwith be compensated for the inflation of the Virginia currency? More Virginia currency? Silver? Tobacco? Donaldson and Stotts did not state how they would make good on Skipwith's loss. However, two things are clear from this letter. First, British monetary dominations—pounds sterling—were still being used in trade. Second, hard currency produced in the former colonies was not trustworthy. Virginians trading with British merchants, using British monetary denominations, and avoiding United States currency would not quickly exchange their transatlantic networks and established credit systems for a new, nationally focused monetary system.\(^{24}\)

Personal networks extending beyond the borders of the new United States also encouraged the continuation of the pre-Revolutionary monetary system. The Skipwith family had been in Virginia for generations, but like many Virginia colonials, the family had close ties to members in Europe. Sir Peyton Skipwith had traveled abroad in his youth. His second wife, Lady Jean Skipwith, was born in Virginia before the Revolution and was married and died in Virginia, but spent two decades living in England and Scotland before she married the baronet. Both Skipwiths had siblings, nieces, and nephews, with whom they corresponded regularly, living in Great Britain. One nephew, William Short, arrived in London in

\(^{24}\) Messers. Donalson and Stotts to Skipwith, 26 December 1785, SFP.
1785 with plans to visit the major cities of Europe. In his letter to his uncle, Short implored Skipwith to provide him with a letter of credit—the traveler’s cheques of the day. Short asked for the credit only for emergency use, “to provide against the disagreeable event,” by which he meant running out of money in Paris. In this instance, two years after the American Revolution had been decided, a Virginia planter’s signature was as good as money in Europe. The strength of Skipwith’s signature was not based solely on his wealth, but also on his commercial relationships with tobacco merchants in the British Empire. It was this network and the monetary system that enabled economic transactions that Virginians like Skipwith relied on to finance daily life. It would be many years before U.S. national monetary systems would take the place of transatlantic networks.25

Main wrote again to Skipwith in October of 1784, always expressing his preference to meet the planter. From Petersburg and later Richmond, Main worked hard to ingratiate himself with Skipwith and build their merchant/client relationship. Main noted in his letter “your sales I have no doubt will please” and invited Skipwith to send tobacco the next March for a ship Main would have ready at that time.26

In April of 1785 Main was able to report that Skipwith’s tobacco from 1775, which had apparently been stored for the duration of the war, had sold well. Despite being in Virginia for nearly a year, Main and Skipwith still had not met, but only exchanged letters. In June Main informed Skipwith by letter of his plans

25 William Short to Skipwith, 12 August 1785, SFP.
26 Main to Skipwith, 22 October 1784, SFP.
to stay in America for another year. Five days later he reported that he had procured a boat and would be sending Skipwith’s tobacco to London. To the modern reader, eighteenth century writing is formal and elaborate, full of “your humble servants” and “my honors.” But beyond these flourishes, Main seemed to flatter Skipwith. Like any good salesman, Main was happy to write to Skipwith with good financial news. The high price for his tobacco was, for Skipwith, confirmation of his honor as a planter. Evans writes that the price of tobacco was up immediately following the war because of the cessation of trade during the war. Perhaps the high price gave Skipwith and Main hope that prosperity, and the old economic and social system accompanying it, would continue into the future.27

In July of the same year Main wrote Skipwith that he had received no offers on the planter’s tobacco and that he would obtain freight costs for the goods Skipwith has ordered. Later in the month the tobacco was indeed loaded onto a ship bound for England.28

While Skipwith’s tobacco was en route to London, Main wrote in September 1785 to say that his partner (and uncle) had died. Skipwith had been working with Thomas Main for less than two years, and there was clearly competition between merchant houses for tobacco planter clients. Main, fearing that he would lose Skipwith’s business wrote that “we are working in your interest.” Main beseeched Skipwith to “trust us.” Trust was, and is, an important

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27 Main to Skipwith, 30 April 1785, SFP; Main to Skipwith, 10 June 1785, SFP; Main to Skipwith, 15 June 1785, SFP.
28 Main to Skipwith, 7 July 1785, SFP; Main to Skipwith, 11 July 1785, SFP; Main to Skipwith, 17 July 1785, SFP.
factor in all commercial transactions, just as it is in human relations generally. Even though commercial transactions were fairly impersonal—Main and Skipwith had not even met at this point—Virginia planters did business with British merchants because of trust. Putting tobacco out on consignment meant that someone else was making the decision to accept prices for that tobacco—planters had to trust that merchants were working in their self-interest; selling with the wrong merchant could mean losing money. When Virginia planters trusted British merchants to sell their tobacco, the planters were risking their access to money and their control of the money creation process. Skipwith had reason for concern. By the fall of 1785 the brief return to economic prosperity had given way to depressed prices in the tobacco market that lasted the rest of the decade.29

The archives yield no further letters from Thomas Main to Sir Peyton Skipwith until the end of 1785. Four days before Christmas, writing from Richmond, Virginia, Main wrote to Skipwith informing the planter of transactions which he had undertaken on Skipwith’s behalf. Main had paid out L. 410 of Skipwith’s money plus another “eighty pounds [Skipwith] received of Donaldson and Stotts.” Main noted that Skipwith only owed three hundred and fifty pounds, making a difference of L.140. Main reassured Skipwith that “there cannot be the smallest reason for suspicions of its being returned.” The day after Christmas, writing from Petersburg, Virginia, Messers. Donaldson and Stotts confirmed the transactions in a letter to Skipwith, again reiterating that Skipwith should feel at

29 Main to Skipwith, 19 September 1785, SFP.
ease with the exchange. Donaldson and Stotts promised to "repay you any loss that may take place on passing it." Evidently the interaction was in bills of exchange or bank notes, instead of specie.\textsuperscript{30}

Two weeks later on January 6, 1786, Main reported that he had sent 299 pounds sterling to Skipwith. By March Main had sold twenty hogsheads of Skipwith tobacco and attached the account sheet showing the sales.\textsuperscript{31}

In May of 1786, two years after he first arrived in Virginia, Main set off to return to England as economic conditions in Virginia continued to worsen. By late August Main finally wrote to Skipwith that he had arrived in England, but that he had not heard from Skipwith. Skipwith did not hear from Main again for the rest of 1786. We have no record of Skipwith's reply to Main's letter. In the meantime, credit conditions in the new United States started to tighten generally as the states struggled to pay war debts, tobacco growers negotiated the payment (or nonpayment) of personal debts, and tobacco prices remained low. In December Skipwith's correspondence bore out the tightening of money and credit. Desperate to raise funds, the planter wrote to a merchant asking for tobacco on his account to make up a shipment. The merchant wrote back with a list of reasons why he had collected no tobacco to send Skipwith, including the weather and multiple instances of tobacco held up in credit-related legal issues. The next week, Skipwith wrote to another merchant with the goal of selling bills of exchange for silver. The firm of Donaldson and Stotts responded that "it will not

\textsuperscript{30} Main to Skipwith, 21 December 1785, SFP; Donaldson and Stotts to Skipwith, 26 December 1785, SFP.
\textsuperscript{31} Main to Skipwith, 6 January 1786, SFP.
be in our power” and advised the planter to “not miss any opp[ortunity] of selling it.” In times of economic contraction, Skipwith, like everyone else, sought to exchange his imaginary money, or credit, for real. However, the planter, also like many others, was disappointed.32

Finally in February Skipwith received a letter from Main. Even though Main was able to report that Skipwith's tobacco “sold at tolerably good prices,” the rest of the letter must have hit the planter with gravity. Main wrote that his tobacco was of "so wretched a quality as almost to induce me to drop our commercial correspondence" and that “I never can agree to advance a shilling upon it and I would rather be without such consignments.” Main refused to advance further credit to Skipwith. He wrote that “it is probable the proceeds of your tobacco will fall short of the advance we are already under.” Main wrote “if the offer . . . made by the gentleman you mention . . . will effectually aid you, would recommend accepting.” Skipwith, in writing previously, must have tried the time-honored “I have other offers” negotiating tactic, but failed to win higher prices, an extension of credit, or even pretense of friendship from Main.33

The deterioration of the commercial relationship between Main and Skipwith illustrates the extent to which money in late-eighteenth-century Virginia was a social phenomenon. In its physical form (Spanish dollars, British shillings, Virginia notes) money could satisfy the three traditional employments of money—unit of account, store of value, medium of exchange. However accounting for the

32 Main to Skipwith, 15 May 1786, SFP; Main to Skipwith, 24 August 1786, SFP; Main to Skipwith 25 August 1786, SFP; Skipwith to George Craghead, 13 December 1786, SFP; Donaldson and Stotts to Skipwith, 23 December 1786, SFP.
33 Main to Skipwith, 26 February 1787, SFP.
value of commodities and the purchase of consumer goods was overwhelmingly accomplished not through these physical monies, but through credit. Honor did not matter to the value of an ounce of gold, which was its attraction. Honor did matter to the British pounds that were advanced to wealthy planters and small farmers alike. One’s value as a grower of high quality tobacco and as a trustworthy person was reflected in the credit a merchant was willing to advance.

In a world without banks, merchants held the power of money creation. When Main insulted Skipwith’s tobacco and refused to issue further credit, he was effectively denying the planter access to his own economic value in the form of money.  

Although the letter does not survive in the Swem Archives, Skipwith did issue a reply to Main making clear his dissatisfaction. Whatever the contents of that letter Main had not received it in London before he wrote again in May at about the same time that Skipwith received a note from J. Herren informing him that a bill of exchange of Skipwith’s “is returned to me protested for nonpayment.” The bill was written on J. Hyndman & Co. Bills of exchange functioned as money because the issuer of the bill was trusted to pay the face value of the bill when it was returned, just as modern dollars are backed by trust in the issuer—the American government. Main’s refusal to pay a bill of exchange is evidence that credit was tightening at the level of the macro economy. Individual merchants, creators of imaginary money, were effectively constricting Virginia’s money supply with each bill they refused to pay. In the same month, though Skipwith

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would have received the letter months later, Main sent Skipwith an account of his tobacco sales from the ship Montgomery.  

By July of 1787 Main had received Skipwith's reply to his comments about the quality of the planter's tobacco. Main wrote that "I have looked over the letter you allude to, and cannot discover that acrimony you charge me with." He further wrote that "nor is there a word in it that was intended to animate your conduct." Main backpedaled a bit by saying that he expected Skipwith's tobacco to be of a high quality, and expected that it would be Skipwith's tobacco onboard the ship Montgomery. However, "that I found was not the case." He goes on to write that the inspection did not reveal the lower quality of the tobacco and that sales exceeded expectations (he does not divulge whether he spoke of his or Skipwith's expectations). Then Main asked for 83 pounds, 17 shillings, and 10 pence. Despite sales that "exceeded expectations," Skipwith's debts still exceeded the value of the tobacco.  

Main then went on to say that his commissions would include "an half pence for insuring my debt when I find it will be for the interest of my friends to sell on credit." He writes that this commission was "usual." Perhaps the commission was a way of hedging bets that became less and less likely to be profitable as the price of tobacco fell. Interestingly, this was the first time in their years of extant correspondence that Main had mentioned his commission. Finally, Main noted that he would write to one of Skipwith's creditors discharging

35 J. Herren to Skipwith, 16 May 1787, SFP; Main to Skipwith, 30 May 1787, SFP.  
36 Main to Skipwith, 5 July 1787, SFP; Main to Skipwith, 6 July 1787, SFP.
his debt. Skipwith did not hear from Main for the rest of the year. The archive yields no further correspondence between the two until March of 1793. Main wrote to follow up on an earlier letter that he feared did not reach Skipwith. Main “beg[s] leave to remind you of the balance of your account with me which I trust it will be convenient to discharge this season.” He assumed the debt might be discharged “in produce.” Main wrote that “if by bill of Exchange the late failures here require caution.” As a side note, Main mentions the death of “Mrs. Dinwiddie,” the wife of the former governor of Virginia, Robert Dinwiddie. Mrs. Dinwiddie was Skipwith’s “old acquaintance.” Main may have simply been offering news of a friend, but given his precarious hold on the commercial concerns of the planter and his likely fear that Skipwith would not pay his debts, he may have also offered the tidbit as a way of reminding Skipwith of the planter’s ties to London, associating himself with Skipwith’s circle of acquaintances, and suggesting to Skipwith that Main was a social equal. The process of money creation was tied to honor, and one’s honor was tied to social standing.37

A further insight into the deterioration of Skipwith’s relationship with Main can be glimpsed in the planters’ correspondence with John Grayson, another tobacco consignment merchant who was in direct competition with Main for Skipwith’s business. Grayson and Skipwith exchanged correspondence in 1790 during a lull in communication between Skipwith and Main. Grayson insisted that “our House does not possess the talent of flattery.” Instead his firm offered

37 Main to Skipwith, 5 July 1787, SFP; Main to Skipwith, 6 July 1787, SFP.
“stability to dispose of our tobacco in the most advantageous manner.” Grayson noted that Skipwith’s tobacco was “not all they could wish it to be yet it is far superior to the store tob°.” Skipwith was clearly shifting his business away from Main to other consignment merchants.38

The archive offers no other correspondence between Main and Skipwith for the duration of 1793. Was Skipwith intentionally avoiding paying his debt to Main because his financial situation was precarious? Was he instead avoiding Main because he was so angered by the accusation that he had either grown low quality tobacco or tried to pass off inferior tobacco as his own? Perhaps Skipwith began using other merchant houses for other reasons and paid this bill without emotion by the next post.

Planters and Locals

The distinction between a planter’s international monetary transactions and his local monetary transactions are borne out in Peyton Skipwith’s correspondence. Skipwith’s transactions with Thomas Main are primarily carried out with credit—imaginary money—to the exclusion of real, specie-based coins (except for transactions occurring during economic contraction, as seen above). However, Skipwith’s business transactions with local farmers and merchants—purchases of corn and bacon and loans from Skipwith to less-wealthy farmers—more often involve the exchange of real money or goods. This difference in currency used must have in part been because it was easier to pay small

38 John Grayson to Skipwith, 17 April 1790, SFP.
amounts over short distances with coins or even barrels of corn. (Bills of
exchange were much more practical to pay for multiple hogsheads of tobacco
shipped across the ocean.) However, these local transactions also reflect the
difference in social relationships. The value of money is based on trust. Others
accepted bills of exchange as currency because they trusted the individuals on
whom the bill was drawn to eventually pay it. When a tobacco merchant like Main
advanced credit to a planter like Skipwith (and created money in the form of bills
of exchange) he trusted Skipwith to eventually remit tobacco or sterling to cover
the bill. Skipwith believed his relationship to Main was based on trust and
Skipwith’s honor as a planter and gentleman—part of why he became upset
when Main refused to issue more credit. Skipwith’s relationships with locals were
similar in that credit decisions were in part based on trust and assumptions of
honor, but also different because the more frequent use of specie negated the
use of credit and therefore the need for trust. In the latter case it was the planter
making decisions about whom to trust and to whom to assign honor. The closer
geographic proximity meant that Skipwith could more safely advance a farmer
real money knowing first hand how much corn was growing in the farmer’s fields.
The planter may have also held economic power over his neighbor, holding the
deed to his farm. Using specie and goods for payment decreased the necessity
for trust in the monetary relationship.

In the fall of 1782, James Murdaugh replied to a previous note from
Skipwith and apologized for being delinquent in paying his debt. Murdaugh wrote
that he had used all his cash to pay his taxes and then had been ill. Perhaps to
atone for his delinquency, Murdaugh noted that he sent his creditor his only dog. The dog was “very slow owing to getting shot some time ago” but despite the injury was “very true and good for a fox.” In a single letter one begins to see the local interaction in late-eighteenth-century Virginia between credit, cash, and lame, but serviceable, hunting dogs.39

Surely one can put the poor dog aside. Hunting dogs have nothing to do with money. Or do they? Money and credit have taken many forms throughout history, adapted in form and value for the needs of the populace. This project does not attempt to argue that dogs should be counted as part of the money supply in late-eighteenth-century Virginia. However, this interaction does show the importance of relationships to money and credit. Thomas Main based his issuance of credit to Skipwith on the expected value of the next tobacco crop. A disconnect arose because Skipwith understood his creditworthiness as tied to a great extent to his honor as a gentleman grower of quality tobacco, separate from the easily quantifiable value of his crop. Skipwith’s relationship with Murdaugh was different, and the transaction was also different. When Skipwith extended credit to Murdaugh it was likely not in the form of bills of exchange but in specie, and it did not add to the money supply. Skipwith expected repayment in specie. Murdaugh, having no cash, sent Skipwith his only dog, something of value that would hopefully preserve his relationship with Skipwith and buy him time to raise cash to pay the debt. To contrast, Main’s credit extension created

39 James Murdaugh to Sir Peyton Skipwith, 24 October 1783, Skipwith Family Papers, Swem Library, the College of William and Mary, Williamsburg, Va. (hereafter SFP).
money in the form of bills of exchange (imaginary money), and Skipwith expected his honor to stand for further issuance of credit from Main.

In December of 1787 Skipwith received a letter from a Sam Goode who asked for a loan even though he was "far from either wishing or permitting" it. Some things cannot be helped. Goode added that Mrs. Goode offered "her best thanks" for "your most acceptable present of apples." Money and credit were part of the fabric of society. Just as a planter might send his neighbors a bushel of apples or a dog to ensure his good will in the community, he was also expected to issue loans of cash when needed. In our modern world with our impersonal banking system we never know our creditors. We might meet our banker in the form of a bank officer who opens our account at the local bank, but the actual banker, the person whom one trusts to manage one’s money and to issue loans when needed, is typically a very large group of (to customers) anonymous shareholders whose goals are purely profit driven. In the late-eighteenth century, money was created through the system of merchant-issued credit, which was based on a planter’s honor, and was therefore a social institution. One’s “banker” lived down the road. One knew his family. He sent apples, placed orders on behalf of neighbors with his merchant, perhaps passed along farming advice, and when it was needed, loaned money. Commercial relationships and social relationships existed on a continuum, not in distinct spheres. Sam Goode shows up in Skipwith’s correspondence only once again in the next few years, this time in a note in which he offers hop roots to Skipwith’s wife. Presumably Goode
secured the cash, made his journey, and repaid the money in cash or, just as likely, in produce.40

In January of 1789 Skipwith received a letter from Corbin Griffin concerning an estate settlement. Griffin wrote that he is “informed that you will have tobacco, as money to pay for that estate.” He goes on to say that “I will take any kind of payments for taxes.” Tobacco and money were interchangeable in this instance because each could be traded for the other. Tobacco was a commodity easily convertible to money. Money could, of course, always be used to pay taxes. In this case the indifference of payment is important. Precisely because Griffin and Skipwith were indifferent as to the physical item that would pass between them to settle their account, this letter shows that what was important was the value of the settlement itself. In the late-eighteenth century in Virginia, the money that mattered was not the tobacco or the gold (which, even fashioned into coins, was barely more than a commodity itself), but the system of credit accounting that created the money.41

Did corn underlie the system of credit as well? In April of 1788 Skipwith received a letter from Stephen Mallet. Mallet sent his son with a request for Skipwith to pay on his account with Mallet. Skipwith owed Mallet for coal he had sold to the planter. Mallet asked for corn or money to clear the account. While Mallet hoped Skipwith “will not fail to send the one or the other,” he would “rather have money.” As in the example of the interchangeable nature of the tobacco

40 Sam Goode to Skipwith, 21 December 1787, SFP; One’s banker could have also been a woman, perhaps the widow of a planter, as Jean Skipwith, Peyton Skipwith’s wife, later found herself, but usually it would have been a man.
41 Corbin Griffin to Skipwith, 20 January 1789, SFP.
and money, in this instance corn and money are also substitutes. However, Mallet preferred money. Did he refer specifically to specie instead of the devalued Virginia currency? Alternatively did “money” refer to the bank notes that had begun to circulate as currency in the new nation following the creation of the Bank of North America? Mallet’s request shows a clear preference for what had become a scarce commodity in a tight economy with a fledgling monetary system.  

It was not only local farmers with whom Skipwith dealt in real money, but other wealthy elites as well. In August of 1790, W. Alston wrote to Skipwith concerning a carriage and horses he had purchased from the planter. The men had agreed on a price of 150 guineas for the horses. Alston had sent bank notes in payment, instead of the—as implied—preferable specie. Alston wrote that he did not send silver dollars because of the “risque and inconvenience” in conveying them. Besides, “bank notes . . . pass as specie in every state in the union.” However, Alston promised to “readily send silver dollars in exchange” if Skipwith was unhappy with the bank notes. This was clearly a time of monetary transition as Alston was paying U.S. bank notes for a bill denominated in English currency when Spanish-produced specie would typically be preferred. In addition to highlighting the transatlantic nature of money, this instance underscores two main points. Money was a social institution. This was a transaction between two

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42 Stephen Mallet to Skipwith, 24 April 1788, SFP.
wealthy men involving money in multiple forms from multiple nations. Alston was using his social position to protect his financial position.43

Secondly, these men considered banks less trustworthy than silver. Although it is worth noting that wealthy South Carolinians, like Alston, had very different associations with money creation and British trade before the war. Alston may not have had the same issues with bank-issued currency as Skipwith. Silver maintained its value while the price of bank notes rose and fell. Specie was real money (according to bookkeeper John Mair) and therefore always preferable, but if one could complete a transaction using bank notes it was financially wise to rid oneself of the risky notes. Old ways of carrying out transactions were becoming less relevant. While it was probably a strategy to explain away Alston’s preservation of his liquidity, he was correct that silver is neither convenient nor safe to transport. Before the Revolution no one was moving bags of silver coins around. There were letters of credit and exchange between merchants, which were discharged through trade. Now planters (and everyone else) needed banks because the social system that favored entrenched Virginia elites and the tobacco they grew, which undergirded the system of merchant credit, was breaking down.

43 W. Alston to Skipwith, 12 August 1790, SFP.
Conclusion

At the conclusion of the American War for Independence, Sir Peyton Skipwith and his British tobacco consignment merchants immediately renewed the correspondence that had been halted during the war. The idea that Virginia tobacco planters were closely connected to British merchants before and after the Revolution is not new. Also not new is the story of the decline of the tobacco consignment system as well as the general decline of the wealthy tobacco gentry in Virginia. This project seeks to show a new perspective: that systems of accounting and money creation through credit encouraged the continuity of transatlantic trading, social networks, and philosophies of money after the Revolutionary War and beyond the establishment of the U.S. Constitution. During the late-eighteenth century, when Europe recognized gold as money, the actual monetary system was based on credit—often in the form of bills of exchange. This imaginary money described by Mair in his 1789 bookkeeping manual was able to meet the monetary needs of merchants and farmers alike much more efficiently than precious metals. Its use subsequently influenced the views of banking and the money creation process held by Virginia’s political elite.

Thomas Main, new to his uncle’s merchant house courted Skipwith with promises of high tobacco prices and stated hopes to meet him. He appealed to Skipwith’s sense of class by sharing that he dined with Skipwith’s old friend and social equal. As Main built his relationship with Skipwith, the merchant acted as a surrogate banker, lending the planter money on the market price and quality of tobacco.
Skipwith’s lending relationship with Main started to sour when Main complained of the low quality of Skipwith’s tobacco and threatened to cut off credit. Credit was important in the late-eighteenth century for the same reason it is important today, it acted as money and allowed trade to take place. Ultimately, any money that was not literally gold, silver, or copper—Mair’s real money—was credit. Main not only insulted Skipwith’s sense of honor when the merchant lambasted the quality of his tobacco, Main threatened Skipwith’s access to money. Without money in the form of credit Skipwith had no access to British goods, the necessities of life, and the trappings of aristocracy. This interaction shows that honor, credit, and money were closely related.

In the new nation’s infancy when Alexander Hamilton, Thomas Jefferson, and many others began to debate the role of banking in the United States, Southern slaveholding men like Sir Peyton Skipwith must have thought of their own experiences with money creation. For Skipwith, money was created on the value of his tobacco and his social worth as a gentleman planter, but was to a certain extent, controlled by men like Thomas Main. Main was a merchant whose goals were to profit financially and socially from the sale of Skipwith’s tobacco. He likely did not consider himself a banker or money creator. However, Skipwith and others understood from experience that the individual or institution that held the power of money creation held considerable power. When wealthy tobacco planters in Virginia acted politically in the new United States, they would move in opposition to a national bank. Skipwith and his associates, men who accepted payment in bank notes reluctantly while preferring specie, did not trust banks
because of their role in creating money. These men detected in the money creation activities of banks a potential conflict with their position in the economy, their fortune, and even their honor.

The conflict between supporters and opponents of bank-created currency is illustrated by the well-known clash of Alexander Hamilton and Thomas Jefferson. Hamilton, arguing in favor of ratification of the Constitution, wrote in 1787 in The Federalist No. 30 that "a complete power, therefore, to procure a regular and adequate supply of [money], as far as the resources of the community will permit, may be regarded as an indispensable ingredient in every constitution." Hamilton knew that the future economic prosperity of the nation depended on its economic success, which was contingent on a stable monetary system. He believed the federal government, in the form of a government-owned bank, was the best candidate to hold the power of money creation, which would stabilize and strengthen the United States. Jefferson on the other hand, wrote in 1813 to his son-in-law on the federal government's options to finance the War of 1812, "my original disapprobation of bank circulating-paper is not unknown, nor have I since observed any effects either on the morals, or fortunes of our citizens, which are any counterbalance for the public evils produced." The nation's money supply would be imaginary money, based on credit. Jefferson was one of a number of wealthy Virginia gentlemen whose economic power was waning as they lost control of the power of money creation.44

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Sir Peyton Skipwith lived the see the establishment of the First Bank of the United States and other banks in the Commonwealth of Virginia. He died in 1805 before the Bank’s charter expired in 1811. According to a biographer, Skipwith’s widow, Lady Jean Skipwith, kept a drawer full of bank notes with which to easily and quickly discharge bills as they came in. Thomas Main subsequently stayed on with Hyndman & Co. at least until 1808-1810. His correspondence with Skipwith, at least that which was preserved in the archival record, ended in March 1793. ‘It is difficult to know if Main collected on the debt Skipwith owed him or whether the merchant outlived his planter client. What is certain is that the ideas of honor and money Virginia’s planters had developed in the experience of the tobacco trade would direct their perceptions of money and banking for years to come.

Though Skipwith and Main could not have foreseen it at the time, they were witnessing the end of the British Chesapeake colonial consignment system. The end of this form of trade was accompanied by the end of Virginia’s elite families’ hold on economic and political power in the commonwealth. In the world of finance, banks and several iterations of national banking systems would take the place of merchants as the issuers of credit and as controllers of the money supply.
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