SPECIAL FORUM:
REPUTATION AND UNCERTAINTY IN EARLY AMERICA

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Introduction:
The Ambiguities of Risk in the Early Republic

In the half-century following the American Revolution, journalists and promoters of economic activities wrote paean to the independence movement, celebrating its release of economic energies and anticipating that it would enable citizens to improve, produce, and consume more and thus sustain their virtuous republican character as a people. Writers predicted that imminent prosperity would result in the construction of mills, forges, and retail networks throughout the hinterlands; they envisioned boldly experimental internal improvements and expanding commerce under the independent auspices of the newly formed states and locales. Liberated Americans could look forward to blending certain kinds of regulatory protections and government encouragements, such as they had experienced under the rule of the empire, and to the aggressive pursuit of economic opportunities: creating new kinds of taxation and currency systems, expanding commerce to foreign ports, extending agriculture to the limits of available technologies and capital, and testing modest manufactures. For two generations following the Revolution, until at least the panic of 1819, many optimists were confirmed in their expectations of a bright future for the new nation’s economy, and they embraced the risks involved in mobilizing tremendous amounts of human energy and capital because they believed that economic development would resolve foreign nations’

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doubts about the new republic and obliterate the crushing debts and dislocations of the revolutionary war.¹

This imaginative—and deeply unrealistic—scenario of a nation at risk being transformed into a nation of risk-takers appeared regularly in the fledgling print culture and in the personal correspondence of the early republic. But it now seems oddly misplaced from the perspective of North Americans’ own abiding familiarity with economic risks and in the light of the work of recent historians, which reveals a post-Revolutionary economy that teetered between uncertainty and near collapse. Despite a few success stories in commerce and milling—one thinks, for example, of the China trade or of Oliver Evans’s mills—early Americans faced persistent capital shortages and lacked the institutional support to fulfill the optimists’ imagined scenarios.

Historians have been preoccupied with the question of economic risk at least since the publication of Franklin Knight’s 1921 study, *Risk, Uncertainty, and Profit*. They continue to debate, for example, whether it is creative or destructive of innovation and development and whether it is embedded in the structure of economies or represents a set of qualities that are introduced in social and cultural interaction. Knight acknowledged his debt to the earlier economic theorists Max Weber and Werner Sombart, who insisted that empirical work on commercial exchange and the movement of prices over time could not adequately explain how people make economic choices. Knight proposed that choices based on cultural values, technologies, resources, or laws mitigated the kind of economic rationality posited by nineteenth-century theorists, and he proposed uncertainty as an underlying principle of economic development. The cultural relativism that developed in other disciplines early in the twentieth century reinforced Knight’s reasoning, and subsequently even John Maynard Keynes’s *General Theory of Employment, Interest and Money*, published in 1936, grounded “laws” of economic development in “the society in which we actually live,” filled as it is with risks that classical theory cannot account for.

In more recent years, our insistence on historical specificity has largely replaced generalized laws of rationality or scrutiny of “the economic character” of historical agents. By the 1980s, two views about risk had suffused historical studies of the early American economy: one emphasized the themes of insecurity, ambiguity, and irrationality; the other stressed the “gambling” or speculating tendencies of certain early

Americans. The annual conference of the Program in Early American Economy and Society in 2002 showcased some of the most important new work based on these views. Earlier versions of the articles composing this special forum formed part of its proceedings.²

Both of these directions in the scholarship tend to emphasize the limiting or deleterious effects of risk on the early North American economy. Economic relationships during that period still rested on the precarious foundation of personal reputation and belief in individual responsibility for both success and failure. As in previous generations, businesses created hedges against economic risks by constructing kinship networks and devising strategies to ensure the reliability of their correspondents and partners. The institutions that would eventually offer security against the turmoil of international markets and the informality of internal trade were still in their infancy. Dependence on foreign markets, unpredictable commercial price swings, periodic scarcities alternating with gluts of goods, personal miscalculations, and deceit plagued people of all classes. Even when these difficulties were overcome, bad weather and voracious insects could undermine economic insecurity. In short, risk and uncertainty in the early republic remained a regular feature of economic activity in all arenas, from homes to shops to docks.

During the first post-Revolutionary decades, Americans continued to blame the flawed character of individuals for the widespread incidence of failure. This attitude dominated the complex relationships of early national commercial activity, which featured close personal ties and paternalistic arrangements between production and labor. Risks of many kinds put persistent pressure on merchants and their commercial liaisons, ranging from the organization of crews; dangers, such as shipwrecks, encountered on the high seas; labor disputes; imperfect markets; and unreliable information. The West Indies, in particular, was an arena of commerce where demand for North American goods was consistently high, but it was replete with the dangers of pirates and privateers, smuggling of goods between nations, and rapidly fluctuating prices and markets at island ports. Information could flow only as fast as the ships that carried it and, with no institutional support for underwriting risk, protecting agreements, or honoring debts among far-flung

correspondents, merchant communities had to rely on personal networks of trust. Credit depended on personal ties and handwritten recommendations, and when accountability among far-flung, interdependent people broke down—as it frequently did—the failure of a few partners affected nearby kinsmen and trans-Atlantic correspondents alike. In the commercial culture, merchants regularly confronted confusion, imperfect competition, scanty information, misguided directions, and faltering reputations.3

Narratives of business success and failure at the end of the eighteenth century revealed the precarious foundations of personal reputation and elite identity. As Toby Ditz has argued, the era’s commerce required merchants to pay close attention to the “tactical requirements of preserving or earning the trust of other men” in an environment of widespread disinformation and rapidly shifting economic conditions. A good reputation was cultivated and extended by adhering closely to standards of personal moral rectitude. An investor’s access to social and financial credit and to entrepreneurial opportunities was believed to increase as his reputation grew. Business setbacks were attributed to personal failure rather than to social forces. It followed that failed merchants and the unscrupulous colleagues who were responsible for the downfall of others were held to have flawed characters, and they were often described as feminized or ambiguously gendered figures. Credit and reputation were only slowly severed from their moral underpinnings as credit and investment became businesses in their own right.4

People in every area of the early economy sought ways to minimize

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the dangers of risk within their particular networks or locales by developing more reliable communication among familiar associates, underwriting marine insurance, and employing simple forms of calculating or bookkeeping. House insurance, for example, developed half a century before the American Revolution, when a group of underwriters formed the Philadelphia Contributionship in order to spread the risks of construction and urban fires. Marine insurance partnerships not only protected commercial voyages against the ravages of war and shipwreck for generations, but, as the article by A. Glenn Crothers in this special forum explains, they also spurred confidence in American-based shipbuilding, broke down dependence on London insurers, and encouraged pooling of resources among familiar associates, enabling them, in turn, to loan their unused capital to local investors. Other historians have shown that, by the second post-Revolutionary generation, interlocking directorates of underwriters, capitalist investors, and merchants in major cities had established an important means of mitigating the vulnerability of separate individuals while embracing the principle of collective risk-taking. It would take at least another generation to transform the rationale of this collective approach to risk from one of providing mutual aid to one that advocated “gambling” on large-scale speculative ventures. And not until the later antebellum years would Americans insure goods and enterprise as well as risks to their lives and livelihoods.5

Beginning in the early 1790s, a few institutional and regulatory safeguards helped to dissipate further the most fearful effects of economic risk. Banks were among the first of these initiatives, yet despite many studies about the political culture of the emerging public-finance system, few historians have examined the social effects of endemic indebtedness during these years, the slow development of a stable money system, the public distrust of new financial remedies, and the enduring localism of much taxing and spending in the new nation. Banks in the early republic were not perceived of as being panaceas for the persistence of risk, nor did they actually create them. Similarly, newspapers and other forms of print culture took away some of the guesswork in economic relations and introduced greater regularity in the flow of information, resulting in more predictability for the commercial elite. We may safely surmise, for example, that a growing print culture spurred

more advertising and, in turn, more investment in marine insurance. But there is an unexamined gap between what we know about the printed information that was available to Americans seeking to reduce—or to take—risks and what we know about the economic choices made in households, partnerships, or interest groups. We have learned substantially more about incorporation by state charters and its mitigation of certain economic risks.⁶

The risks presented by regular and horrifying environmental destruction due to Hessian flies and drought, or to the hurricanes explored in Matthew Mulcahy’s article published in this issue, had a significant effect on seasonal success, though they did not alter the fundamental structure of economies in various American regions and do not seem to have evoked serious reconsideration by farmers and planters of their livelihoods. Early national planters throughout the Chesapeake and southern states, and on the Caribbean islands, displayed a wide range of skills related to managing a labor force, understanding crops and their markets, and establishing relations of credit and trust among far-flung business associates throughout the Atlantic world. The lure of profits and landed greatness undoubtedly led many planters of the eighteenth and early nineteenth centuries to take up new skills and venture into unknown territories whose geographic and climatic features were beyond their control; indeed, many middling planters lived year after year on a narrow margin between success and failure. But as each wave of agricultural disaster reintroduced the risks of managing the land, instead of altering economic strategies, planters tended to make relatively modest adjustments to counter the effects of falling international markets and the whims of the weather, including consolidating landholdings, regulating labor relations more closely, and alternating types of crops.

Adapting to risk in early national agricultural economies was probably less a matter of cultural values—including the supposedly universal appeal of the profit motive—than of economic resources and social position. Scholars of the early national economy can learn from the argument about southern staples farming put forth by Gavin Wright and Howard Kunreuther nearly thirty years ago. In the postbellum years,

⁶ For a sampling, see, e.g., on banks, Robert E. Wright, Origins of Commercial Banking in America, 1750–1800 (Lanham, Md., 2001), and Terry Bouton, "Moneyless in Pennsylvania: Privatization and the Depression of the 1780s," in Matson, ed., Economy of Early America, ch. 7; on liability, Edwin J. Perkins, American Public Finance and Financial Services, 1700–1815 (Columbus, 1989); on currency risks, Stephen Mihm, “Making Money: Bank Notes, Counterfeiting, and Confidence, 1789–1877” (Ph.D. diss., New York University, 2002). For risk being mitigated by increasing attention to calculating, accounting, and numeracy, see, e.g., Patricia Cline Cohen, A Calculating People: The Spread of Numeracy in Early America (Chicago, 1982).
they wrote, southern planters intensified production of cotton for export, despite the failure of yields to rise and the frequent stagnation of world prices. Planters invested in the high-risk crop of cotton rather than taking the apparently more rational step of growing corn and raising hogs, just as world markets were moving against them. Why take such a risk? Part of the answer, according to Wright and Kunreuther, was that a “gambling” ethos was emerging among planters who could afford entry into risky international cotton markets. As a correlation, small farmers faced a narrower window of opportunity: since they had no choice but to avoid the risks of sinking funds into the new kinds of agriculture, they had to accept the relatively safer investment in cotton.7

Although many Americans may have clung to the explanation that setbacks and failure stemmed from personal failings, downturns and panics sent large numbers of Americans in all walks of life spiraling into temporary or permanent failure. Laborers and wage earners suffered the most widespread reversals during the panics of 1819 and 1837, but small businessmen, shopkeepers, and independent craftsmen suffered negative consequences on a similar scale when their inadequately capitalized enterprises collapsed or their minimal savings dried up. A number of studies argue that, before the 1850s, few urban artisans were able to accumulate enough capital for investments in real estate or businesses. Although we are only beginning to gather reliable information about the incomes and investments of midlevel retailers and clerks or to gain a clear sense of who succeeded and who failed, it is clear that small entrepreneurs seldom rose to levels of “comfort,” or achieved what they perceived of as “success,” during their adult lifetimes.8


the 1840s reveals that failure overtook one-fifth of the men whose businesses were enumerated and brought down roughly one-half of the master craftsmen and nonmanufacturing proprietors. Most individuals in the sample had enjoyed a decent or successful living for a few years before economic difficulties forced them to migrate, begin again in a new enterprise, or fold their efforts into an established business.9

The decision to change one’s occupation in the early republic often carried the expectation of success, but the result was often one that left individuals and families in a situation of risk. Farmers from the worn-out New England coastal areas began to send their sons off not only to the West but also to the cities and southern regions so they could become peddlers of cast-off goods, refined tinware, books, brooms, and clocks. Farmers’ sons from every aging region of the country became laborers for hire, taking jobs that were springing up in the interstices between farming and manufacturing, or else they went to sea, becoming wage workers in the merchant marine. After 1800, merchants increasingly turned to manufacturing in small shops.

Yet, in many of these cases, the risk of shifting to new occupations was considerable. Becoming a middleman meant operating in the space between the merchants who supplied credit and goods and their customers, who themselves demanded a degree of trust and reliable supplies of goods. In this intermediary position, thousands of small entrepreneurs found themselves suspended between dependency and independence. The more advantageously situated retailers and peddlers could command supplies of goods, enlist the support of the courts and of legislatures, and maintain the loyalty of customers in the same way that importing merchants could. Like these merchants, small retailers and peddlers often fell victim to the boom-and-bust cycles, but for them the negative consequences were more enduring. Even in the largest cities, where the variety of imported goods and the concentration of consumers offered retail storeowners and their clerks more opportunities, the road to advancement was pitted with failure. As Brian Luskey argues in his article about clerks published in this special forum, opportunities for upward mobility were “both more tempting and less attainable” during the years between the Revolution and the Civil War. Greater possibilities for advancement created a business environment that fostered both ambition and uncertainty, encouraged a reckless...

disregard for risks, and led to caution in the face of repeated mishaps. Moreover, within any individual’s lifetime, both the levels of skill required for gainful employment and the income that could be derived from deploying these skills might change. Even rising industrial capitalists and old commercial families experienced large fluctuations in their wealth from year to year or at the end of their lifetimes.10

The ambiguities of risk-taking also arose when large numbers of Americans became geographically or occupationally mobile, especially rural and middling urban Americans who wished to sustain household independence or ensure competency for the next generation. Young men sometimes broke the chains of dependency to merchants or factory owners by traveling the roads as peddlers or crossing the seas as sailors. Thus they became free of parental control and were able to experiment with different lifestyles. Risk was no doubt easier to face as a young and single man. Probably, too, middling positions in retail trading, spells of being on the road as a peddler, or occasional stints as laborers offered temporary financial solutions for families who could not afford to purchase land or start a business. Through at least the 1830s, taking such risks helped cushion the impact of the breakdown of older kinds of commercial trust and paternalistic guardianship and relieve the stress arising from the competitive relations that characterized the elongating markets of the early republic. Culturally, the narrative of family and community survival was replaced by the dream of individual advancement. Simultaneously, the ideal of republican independence became attenuated through pragmatic adaptations to competitive markets. Wage workers increasingly relinquished the ideal of independent property ownership and adapted themselves to the realities of insecurity and failure.11

Institutional changes also heightened the ambiguities of risk-taking. Despite fears of bank failures and the potential for abuse by special economic interests, many Americans welcomed state and local bank loans when they became widely available. State and local banks offered loans to scores of potential developers, thereby becoming channels for creative risk-taking, but the same banks were also large-scale repositories of small investors’ savings. However, the panics of 1819 and 1837 tested citizens’ trust in banks. Although the panics were not directly linked to


the emerging financial system, overextended bank credit was perceived as a symptom of the dangers of unrestrained risk-taking. In both panics, the spiral of declining commodity prices, failed businesses, rising unemployment, creditor dunning, and widespread loss of property and status provided ample evidence of the republic’s economic fragility. In the midst of both panics, dissenting voices called for remedies that would channel, divert, or embrace the economic risks that so clearly marked the “energetic republic.” But although there were few voices calling any longer for the post-Revolutionary decade’s imagined agrarian simplicity or for free trade, remedies offered during the 1820s still included hard money and decentralized finance, which held considerable appeal for thousands of distrustful Americans for decades to come.¹²

Institutional responses to the need for more credit also brought into bold relief the problems of mitigating risk. Overextended credit had long been the bane of the early modern commercial world, and it continued to account for untold numbers of personal failures in the early American domestic economy. So, despite the creation of new institutions that provided relatively stable systems of finance, credit networks of individuals functioned more irregularly amid the fluctuations of the international economy and the growing ambiguities of American social relations. Even as opportunity was “democratized,” ruin became more widespread.

Failure was seldom adjudicated as a formal and permanent condition until after the 1830s. Before that decade, the meanings attached to the inability to pay one’s bills, to meet commercial demands, or to sustain a business changed slowly, in tandem with shifting family structures or new productive conditions. Even as the public culture of moral accountability for failure was beginning to fade, a legal and statutory culture, which defined each kind of accountability separately and in response to separate and contentious interest groups, produced a bewildering array of contradictory laws about credit and debt or the function of different kinds of currencies and economic developments. In the era covered in this special forum, the domains of legislators and jurists remained local, and their goals shifted constantly.¹³

When we attempt to assess the impact of accumulating economic changes on Americans of different origins, occupations, races, and initial advantages, it is clear that many failures were temporary and that experiments with alternative business strategies imparted a little sporadic education over time. Unsatisfactory credit and debt arrangements

¹³ Mann, Republic of Debtors, ch. 1; Mihm, “Making Money.”
slowly led to more reliance on cash and accounting; high-volume losses led to less direct marketing, revealed the need for more inspections, and prodded merchants to hire caretakers to guard their goods during shipping. Unsuccessful manufacturing experiments and loss of family fortunes often meant becoming a salaried agent for someone else.

While many Americans used cash to pay their bills or accepted cash wages more often after the panic of 1819, we may interpret this apparent step into the future as a conservative response to fears of losing everything if credit became overextended. Reliance on cash was also a step away from the traditional reversion to barter or retrenchment and a step toward adapting to the regularity of risk with flexible cash and credit arrangements. In the same fashion, men who lost small businesses or farms during downturns could protect their remaining assets, or recover lost ones, at some time in the future by going to work for others. In short, relinquishing ownership of shops and estates did not always represent the “end of independence,” but rather offered alternative ways of coping with vulnerability and building a measure of security.

Ambiguities about status and mobility, as well as progress and technology, also intensified in the antebellum era, especially after the panic of 1837. Before the 1850s, it was difficult to assign to many Americans a “working-class” or “middle-class” label, but there were clear signs of more separation between owners and workers, merchants and their agents or peddlers, and a wide, elusive layer of Americans who earned their living in various categories, ranging from nonwage labor to capitalist ownership. The middle sector of American society was itself beginning to separate into distinctions based on age, skill, family connections, and national origins. Consumers’ mutable, even fickle, desires added another unpredictable layer of risk to early economic relations, yet scholars persist in painting an uninterrupted rise both in available goods and in unrequited consumer demand.

No event captured Americans’ relentless improving impulses more than the railroad. However, the new invention also evoked widespread public skepticism about the nature and extent of the risks undertaken variously by capitalists, workers, and passengers. As of 1828, when the Baltimore and Ohio Railroad had laid just thirteen miles of track, engineers and investors could boast that the “iron horse” moved at a whopping fifteen to thirty miles per hour. The risks of investment and mobilization of manufacturing ability had been great, but the public remained skeptical about this terrifying invention whose cars slid off the rails and whose wood-burning engines produced fires that were even larger than the blazes that had consumed steamboats during the previous decade. In a few short years, the risks of railroad development would overlap those produced by industrialization, with its rising numbers of accidents.
and health hazards. Despite their stimulation of migration, manufactures, and capital investment, railroads did not live up to their full potential until the late 1850s because of the risks they presented to both capitalists and consumers. Canals continued to carry more goods and people, surpassing the railroads right up to the outbreak of the Civil War.\(^{14}\)

In short, risk-taking and risk avoidance were regular features of the economic calculations performed by early Americans, but our scholarship still has not produced a clear picture of the role of these contradictory activities in stimulating, or stymieing, the early national economy. It seems that the greater the risk, especially when attended by subsequent success, the greater the public approbation granted to the risk-taker. It seems as well that the social consequences of risky economic behavior, especially when it resulted in widespread failure or rippling economic trauma for scores of households or businesses, were profound. Through at least the 1850s, individuals and collectives of risk-takers usually had to come up with their own solutions and resources for achieving renewal and recovery. Finally, recent scholarship emphasizes that while large numbers of Americans were increasingly disconnected from traditional moral or republican meanings of success and failure, these citizens also encountered a profoundly ambiguous set of alternatives that were only loosely attached to the goals of personal independence, ambitious pursuit of enterprise, and the creation of an institutional and cultural support system that would shelter them from risk. The articles published here explore some of the areas in which Americans faced the challenges of becoming a nation of risk-takers and indicate areas of this critical topic that remain to be explored.