

INTRODUCTION: PROMETHEUS UNBOUND

Writing from Philadelphia to his ‘gentle affectionate dove’ for the second time that day, Massachusetts Senator Harrison Gray Otis begged his wife Sally to pay attention to Boston gossip. ‘Please to be particular in notifying me what you hear respecting Craigie’, he requested. Otis held Craigie’s note of five thousand dollars, due in six months, and he feared the worst. Like many of Otis’s friends and business partners, Craigie’s finances teetered on the edge of disaster. Only three weeks prior he expressed to Sally his mortification at the imminent failure of another friend, ‘H’. ‘It is impossible for us not to feel a lively interest in the fate of such amiable friends’, he wrote to her, ‘especially reflecting upon the aggravations resulting from their high notions of life’. Indeed, he noted, Sally had been wise to remain in Boston. ‘To witness trouble in that quarter would be fatal to your pleasure & happiness here, without alleviating the misfortunes of others.’¹ ‘In short, such is the uncertainty of all men in business’, he plaintively concluded the Craigie letter, ‘that nothing can be called property which is not in one’s own iron chest.’²

Otis’s anxiety with regard to the fleeting nature of contemporary property was well warranted. The business world Otis mastered was new and full of exciting possibilities; it was also a world fraught with financial peril. Pick up a newspaper in Boston in August 1807 and in the classifieds was a ‘Bank Thermometer!’ – a regular feature from 1807 to 1809 in a number of newspapers in Boston and across Massachusetts. The ‘Bank Thermometer!’ listed the constantly fluctuating relative value of the numerous bank notes then circulating in Boston. Unlike sponsored listings from exchange dealers like *Cohen’s Lottery and Note Exchange* or Boston’s *Gilbert and Dean, Lottery and Commission Brokers*, the *Thermometer* was disinterested and provided a candid, disdainful and often humorous appraisal of the values, or lack thereof, of banks’ notes. These listings and the services of stock ‘jobbers’ and money exchangers were vital to Early Republic Americans negotiating the paper storm then engulfing Boston and most other American cities. Bank notes issued by Boston banks, the ‘country’ banks located throughout Massachusetts, the other New England states – especially Vermont and Rhode Island – as well as the rest of the country, flooded the city. Bank notes even found

their way to Boston in large volume (with a little help) from places as far away as the Michigan Territory. Add to this mix the private notes that merchants and retailers issued, the dividend cheques and other financial instruments that commonly traded as money, as well as British, Spanish and Portuguese specie, and you have a babble of currencies.³ Fortunes were made and lost negotiating these instruments, one day trading at par, the next day negotiable only for surplus shoes and second-rate farm produce at fifteen cents on the dollar.

The number and variety of financial instruments circulating as currency was not the only source of financial anxiety and instability. The nature of the paper was also new and sufficiently novel as to have profound consequences. Bank notes in particular were a peculiar form of money. Between the Revolution and the Civil War, American banks issued private notes that circulated as money but were not, properly speaking, assets in the way that an ordinary person might think of 'money' as an asset. Bank notes were in fact liabilities – promises or debts, payable in specie. In theory, banks maintained sufficient specie reserves to service the day-to-day demands on their liabilities – a practice well understood as fractional reserve banking. In practice, however, banks issued notes far in excess of their specie reserves, stretching thin the veneer of solidity which specie provided the banking system. Furthermore, deposits – most often discounts (loans) negotiated with the bank and simply 'deposited' into borrowers' accounts – were also liabilities, a way of extending credit without printing notes, but often were not recognized as liabilities to be considered by the bank directors under the bank charter's legally prescribed limits. Furthermore, into the 1830s, restrictions on liabilities referred to the bank's capital, not its specie reserves. Thus as long as the directors could maintain confidence in the bank, there was little effective reason to limit their note issues or discounts – 'book money'.⁴

As opaque as these practices were, they nevertheless had clear consequences; banks never held anywhere near the sufficient amount of specie for redemption of all their liabilities and the value of their note issues fluctuated according to the confidence and trust that people had in the institution, its directors, and economic conditions in general. *Confidence* was in fact the 'commodity' that bankers depended on. They designed the banking system to use specie as a confidence-maintaining device, not an actual currency to redeem notes with. Bankers used specie reserves to satisfy the 'illusion of solidity' and maintain their notes in a state of perpetual circulation.⁵

The ambivalent nature of bank notes and the jumble of misunderstood practices and ideas associated with banking often resulted in counterintuitive situations and outcomes. Investors could, for example, purchase a bank, as Boston's Andrew Dexter did, with the bank's own assets by assuming the bank's liabilities. Bank notes were after all a liability; thus Dexter could assume the bank notes' explicit liabilities and use the debtor's notes held by the bank to buy the bank's stock from its 'investors' – often the very debtors whose notes were exchanged.

Likewise, banks during this period were, as a Committee of the Massachusetts General Court concluded, often founded not by those with money to lend but by those wishing to borrow. If you did not have access to credit, you could start a bank and print notes that were essentially credit on your own collateral. Indeed, it became common practice to go one step further and ‘bank’ on ‘banks’. Investors petitioned for a bank charter, paid a portion of the original capital in specie or the bank paper of a competing institution, then granted themselves loans collateralized by the full value of the stock to pay the remaining debt with enough left over to invest in other securities. Thus, a bank director in a new institution could, for example, purchase \$1,000 in stock in the bank with \$500 in notes from the Bank of the United States, obtain a \$1,000 discount from the bank collateralized by the stock, pay off the balance due on the stock with the bank’s own notes, and walk away with \$500 in the bank’s paper, \$1,000 in stock, and a debt to himself (more or less) of \$1,000. Theoretically, an investor could do this several times, creating nests of debt – and increasing the amount of ‘money’ in circulation without ever committing a single dollar in specie. The little specie that was infrequently paid in to the banks gave the airy paper mountains a patina of ‘solidity’ and often sufficed to maintain the institutions in the imaginations of ordinary citizens who, awash in financial paper, accepted a financially polyglot economy.

The implications of these practices were both material and ideal. First, banks exponentially increased the money supply. Americans quickly took to heart the special powers of banks to, as David Hume put it, ‘make liquid’ their assets (and reputations) and competed lustily to charter as many banks as possible. The subsequent explosion of paper credit was, certainly inflationary and, given the specious nature of many of these institutions, volatile; but these new instruments also tapped the enormous potential of the Early Republic economy and greatly stimulated economic growth.⁶ Second, bank notes transformed money, property and personality. Paper credit instruments ultimately became, as Janet Riesman has argued, an expression of the confidence people had in the nation and in themselves. Bank notes in particular came to be understood not as backed by specie *per se* but as a function of trust – a social web of confidence. Banks, as the bank supporter Erick Bollmann put it in 1810, were ‘like a fleet, buoyed up by confidence and credit gliding down the spacious stream of trade and prosperity, each *just comfortably ballasted with specie*, and all of them *linked together* by a mighty chain of debtors and creditors, fastened to that ballast.’ The banks were the basis for civilization; without them, he concluded, was ‘stagnation, confusion, dissolution of the social bond, barbarism, and ruin.’ Banks and other paper-emitting institutions of the day were, in the words of Boston’s Samuel Blodget, the ‘*golden chains*’ that held society together.⁷

The idea that paper credit instruments held society together is key to understanding Early Republic America. The new economic order – begun with the assumption and funding of the Revolutionary debt – was a ‘venture’; an economic

experiment 'floated' by the citizenry, not unlike the experiment of democracy. Creating and sustaining what critics called this immense 'fabric' required a new way of looking at value; it also both shaped and expressed new ideas and forms of property; ultimately, it both shaped and expressed changes in personality. To properly understand these developments, however, we must begin with J. G. A. Pocock.

'Property', Pocock declares, 'was both an extension and a prerequisite of personality'; and, he warns, 'we should be aware of the possibility that different modes of property may be seen as generating or encouraging different types of personality'.⁸ Early modern political and social personality centred on real property, primarily land. In his capacity as property owner, the master dominated not only his family, but also the lives of his 'servants'. This property and household mastery, and the arms that he used to preserve them, allowed the idealized civic humanist or republican citizen independence and virtue; it was the basis for his political, economic and social personality.⁹ Changes in the nature of personality, or alternately the construction of the modern personality, began, according to Pocock, with England's financial revolution and the rise of a new kind of property – credit.

The creation of the Bank of England and a national debt that generated a continuous and perpetual stream of income for investors was, according to Pocock, a new kind of property that existed only as an imagined entity in the mind of the investor. The government debt was a promise to pay into a future that would never arrive. The value of that debt thus reflected the perceived stability of the state; it was a function of confidence. Similarly, Pocock concludes, with the rise of a paper-credit economy, individual credit and debt relationships became immersed in the imagination of the investor. Furthermore, he might have added, 'deliberately organized issuing' banks functioning on a specie reserve ratio – a Bank of England innovation – further alienated money from its commodity value and seated that value in the subjective imagination of the holder.¹⁰ And thus, 'property – the material foundation of both personality and government ... ceased to be real and has become not merely mobile but imaginary'.¹¹

Pocock's conceptualization of this important point in human history is pregnant with meaning. The reconstruction of economic value as subjective and nominal unleashed an economic and cultural Prometheus. An economic order based on a perpetually expanding system of paper credit – a national debt or bank credits – broke the empiricist stranglehold on the economy and the mind. Economically, the mercantilist zero-sum game ended; one man or nation's gain need never be another's loss because the economy knew no bounds. The new economy, now conceptualized as an ever-expanding, self-regulating system limited only by confidence and the imagination, shattered the old world of 'real' values and limited economic growth. Subjective economic value also shattered 'real' values and fixed meaning in the realms of epistemology and personality. The

‘conceptual basis of cognition’ changed: knowledge and value became subjective, they came from inside. The transformation of money into an abstract idea based on subjective feelings represented a fundamental change in the ‘constituent elements of the exchange abstraction’ and ultimately shaped ‘the conceptual elements of the cognitive faculty.’¹² Put another way, paper credit’s rise changed the way human beings thought about value; it engendered an increased subjectivity that affected aesthetic and moral value, and transformed the ancient personality of the master into the modern, differentiated and subjective bourgeois.¹³

This new subjective bourgeois embraced and promoted a new world order; he had lost his ancient republican virtue. A society founded on credit and exchange mechanisms was fundamentally different from a land-based social order. Credit changed the relationship of the people to the state; through the national debt they were now its patrons, not its clients. Credit also changed the relationship of people to each other, who were now bound in an interdependent economic order, ultimately maintained by their confidence in that system. A new sociable and refined interdependence replaced the master’s stoic republican and martial independence. Nevertheless, the master turned bourgeois was more than compensated for these losses, Pocock argues, through manners and a new relationship with things, or with people, through things.¹⁴ The new bourgeois also understood his world through a new epistemology or world-view, best expressed by the eighteenth-century Scottish Moral Sense philosophers and political economists.¹⁵

Writing in an eighteenth-century Scotland dominated by imaginary forms of economic value, the Scottish Moral Sense philosophers and political economists developed an emotive epistemology and commercial humanism that shaped and reflected the new Anglo-American polite commercial society into the nineteenth century. At the centre of their new epistemology lay human feelings and emotions – sentiments – that operated in economics, morality and aesthetics. These men (and they were exclusively men) both promoted and gave shape and logic to the radical social, cultural and psychological changes that the rise of paper credit engendered. Francis Hutcheson, David Hume, Adam Smith and, of course, many others, were extremely important in the creation of political economy. They also wrote at length about the nature of society and personality. The common thread in all of their texts, however, is subjectivity. Their economic, moral and aesthetic values all derive from a new and uncharted subjectivity central to the modern personality. Widely read and influential in Britain and on the Continent, they were also, of course, influential in British North America, and what became the United States. Their efforts to map out the logic of modern society resonated with Americans during the Early Republic, when the architects of the Revolution turned their efforts to just such a radical enlightenment project.

This book traces the material and ideal elements of these changes as they developed in Harrison Gray Otis’s Boston. It is an attempt to provide a ‘unified conceptual

framework' with which to understand the tremendous social, cultural, economic and psychological changes in Early Republic America.¹⁶ The first two chapters examine the early-modern British background for these changes.

Chapter 1 details the early modern relationship between intrinsic value in silver, empiricism and theological voluntarism. It argues that we can best understand John Locke's bullionist position during the English recoinage debates of the 1690s through a reading of his epistemological treatise, *An Essay Concerning Human Understanding* (1690). In this influential text Locke argued that the true nature of 'matter' substances was external to human beings. Following Locke's logic, this meant that man could not question or replace intrinsic value in silver-as-money. This position was consistent with his *tabula rasa* sensational psychology and his empiricism, both derived from his theological voluntarism and orthodox Calvinism: an all-powerful Calvinist deity demanded an 'empty' humanity that absorbed all value knowledge at his will. Intrinsic value in silver was thus the economic correlate of empiricism, *tabula rasa* and orthodox Calvinism's theological beliefs; this was a complete epistemic system – a way of understanding the world that encompassed economic, moral and aesthetic value systems.

Chapter 2 explores the challenge to this world-view, and to Locke's empiricist and Calvinist formulation of humanity in particular, developed by the third Earl of Shaftesbury and the Scottish Moral Sense philosophers. The challenge to Lockean empiricism began with Shaftesbury's repudiation of Locke's *tabula rasa* assertion. According to Shaftesbury man was not born empty and selfish. Instead, God created man with an inner knowledge of wrong and right, beauty and deformity, harmony and dissonance. Shaftesbury's Neo-Platonic vision undermined Locke's sensational psychology, empiricism and theological voluntarism.

The Scottish Moral Sense philosophers transformed Shaftesbury's innate ideas into a moral sense that instinctively or intuitively recognized moral good and beauty. Francis Hutcheson, David Hume, Adam Smith, Dugald Stewart and others developed a 'theory of moral sentiments' that positioned a benevolent humanity as intimately associated with the *summum bonum*. An innate sympathy, derived through the imagination, marked human relationships and dominated human morality. Moral and aesthetic beauty, the Scots argued, derived from within; it was grounded in feelings. These Scottish ideas of man and his role in the cosmos challenged Calvinist formulations of a depraved and damned humanity (indeed, they were largely written in the midst of the conflict between Moderate (liberal) and Popular (Calvinist) religion in Scotland).

The Scots also constructed a synthetic political economy that connected the 'trichotomy of economic, aesthetic, and moral value'.¹⁷ They put human institutions, instruments, everyday needs, and emotions at the centre of their moral, aesthetic and economic value systems. Their theory of money and the economy was completely at odds with Locke's bullionist mercantilism. For the Scottish political economists, money was not a store of value or wealth, but an exchange

medium; money did not need intrinsic or commodity value; it was not a 'natural' entity created by the deity, but a human instrument. Paper credit or other confidence-based instruments thus best served as a circulating medium. The Scots' definition of the purpose and nature of the economy also reflected these changes. Wealth was in no way measured by specie or the accumulation of precious metals; it was a function of consumption and the satisfaction of individual desire. Furthermore, human desire drove the economy and spontaneously generated a socially-benevolent economic order. Hence, individual interests could not conflict with social interests – the pursuit of individual gain benefited all. Overall, Scottish political economy imagined a profoundly anthropocentric and individualistic economic order driven by the emotional needs of human beings and fuelled by self-created and confidence-based exchange instruments and institutions. These changes represented a radical new way of looking at the economy, and they were also part of a new way of looking at the world; part of a new emotive epistemology that also transformed morality and aesthetics.

The remaining five chapters look at changes in economic, moral and aesthetic value in Early Republic America overall, and Boston in particular. Chapter 3 develops the conflict between objective (silver) and subjective (paper credit) theories of money as expressed in the United States during the Early Republic. Engulfed in an economic and financial revolution, Early Republic theorists debated the nature of money and the purpose of the economy. Echoing the monetary debates of the Recoinage Crisis, some nascent American political economists explicitly argued that money needed intrinsic value to function as an exchange medium; you could not trade things for signs. For these thinkers, subjective theories of money, founded on a different epistemological basis than metallism, undermined the objective reality of a purposefully guided economy and social order. Supporters of paper credit followed Scottish political economy and increasingly emphasized the exchange value of monetary instruments, defined wealth as consumption and expressed confidence in the self-generating tendencies of human activity – as well as the epistemological platform for these ideas.¹⁸

Chapter 4 examines the rise of paper credit instruments in Boston from the 1780s into the 1820s and provides the material context for the cultural changes discussed in the following chapters. Over this period, banks, bank notes and paper-credit instruments of all sorts dominated economic life in Boston. Bostonians not only invested greatly in paper credit, they used these instruments on a daily basis. Further, banks and the language of speculation saturated Boston's public sphere. The vitality of this new economic system depended on its acceptance by Bostonians; banks and bankers relied absolutely on the confidence ordinary Americans had in the new economic system they 'floated'; they had to believe in it in order for it to work. Overall, though bankers sorely tested this 'web of confidence', the proliferation of banks and the various paper-credit instruments

associated with this new system provide *de facto* acknowledgment of the acceptance of this new economic order.

Chapter 5 ties Boston's Unitarian controversy to the larger changes in the nature of property and personality. During this period Anglo-Americans hotly disputed Calvinist notions of innate depravity, predestination and free will. Overall, over the time period under discussion, liberal or latitudinarian notions of a benevolent humanity undermined Calvin's damned and depraved sinners. More importantly, however, the conflict between these different value structures derived from different ways of looking at the world – from different epistemologies. Orthodox Calvinist values derived from without; they expressed a received, external and authoritarian moral knowledge. Liberal or Unitarian religion ultimately found the source of moral virtue within; moral knowledge was the law writ in the hearts of men; it was a sentiment. Driven by Scottish Moral Sense philosophy and epistemology, especially the ideas of Francis Hutcheson, Unitarian religion emphasized a subjective and internal moral law based on human feelings and emotions. It was the moral and religious expression of the changes in political economy and money.

Chapter 6 explores the epistemological debates surrounding the novel and other forms of sentimental literature. Critics characterized novels and novel reading as pernicious – untrue to 'nature' and corrosive of 'real' human morals. They were not, to use the language of the pseudonymous *Conciliator*, 'of sterling worth'.¹⁹ For these readers, moral standards derived from the pulpit or through hierarchical authority; they were real and objectively verifiable. Supporters of novels confirmed the new age's epistemology – feelings counted. Novels and other heartfelt narratives constructed new social bonds based not on early modern domestic and social hierarchies or Calvinist notions of an all-powerful God, but on Scottish heart-based emotions. Americans comfortable with the new emotional epistemology defended and avidly devoured the romantic tales, sentimental fragments and seduction novels of the period. Furthermore, they perceived the consumption of these sentimental narratives as the production of society. Once again, these debates expressed the larger changes in morality and political economy and used the language and logic of Scottish Moral Sense.

Chapter 7 situates changes in Anglo-American aesthetic theory in the context of the epistemological conflict between empiricism and emotions. Theories on the nature of beauty dominated the aesthetic debates of the eighteenth and early nineteenth centuries. These debates echoed the discussions on the nature of money: was beauty/value intrinsic in the object or a function of the subject? Again the divide was between empiricism and subjectivity – between a 'real' and objectively knowable beauty derived from certain characteristics in the object; and beauty as a private system, a function of the subject's imagination. Using aesthetic treatises in books and Boston magazines, this chapter first traces the development of these ideas in the Anglo-American world. Overwhelmingly, the shift during this period

was from the mimetic empiricism of someone like the early Sir Joshua Reynolds or Thomas Reid to the Scottish Moderate party minister Archibald Alison and his imagination-driven aesthetics. Under Alison's aesthetic ideal, subjects created beauty – it was an affair of the heart; an emotional response that relied, in large part, on the epistemology of Scottish Moral Sense.

Second, using art and material culture, the final chapter traces the rise of an imagination-driven aesthetic. The discussion of material objects draws on a variety of approaches and sources: the early romantic aesthetic at the centre of Washington Allston's and Joshua Shaw's paintings; popular prints (plates) in Boston magazines that expressed Alison's aesthetic ideas and often tied visual narratives to sentimental narratives *vis-à-vis* the imagination; and finally, household furnishings that, like the popular prints and the sentimental narratives, increasingly relied on the imagination for the greater part of their aesthetic (and emotional) value.

These ideas came together in consumption and the world of goods. The larger cultural shift from Lockean Calvinism to Scottish commercial humanism involved, as Charles Taylor argues, a 'Celebration of Everyday Life'. Thus Archibald Alison argued that God's designs included beauty and utility; they gave us pleasure in goods, spurred consumption and production, and celebrated humanity. Bostonian Washington Allston also saw sentiment, material goods, and moral and aesthetic beauty as intimately connected. The providential order included the emotions generated by sentimental novels, household furnishings and art – internalized and reconstructed in the 'fancy' of the subject – which were expressed through desire and consumption. These changes represented a massive shift in the locus of human value and in the nature of the social order: value – be it economic, moral or aesthetic – was created; it was a human and subjective idea. Feelings, for centuries denigrated as the sources of disorder, suddenly developed as the well springs of life – the source of the *summum bonum* and the key to economic, aesthetic and moral value.