Consumer Credit in Colonial Philadelphia

I

Pre-revolutionary Philadelphia was the largest and most rapidly growing city in America. In 1749 an actual count of houses by Benjamin Franklin and other prominent residents indicated a population of approximately twelve thousand. The population increased to about eighteen thousand in 1760, and to twenty-five thousand or thirty thousand in 1770. An English officer traveling in America in 1764–1765 wrote: “The City of Philadelphia is perhaps one of the wonders of the World, if you consider its Size, the Number of Inhabitants, the regularity of its Streets, their great breadth and length, their cutting one another all at right Angles, their Spacious publick and private buildings, Quays and Docks, the Magnificence and diversity of places of Worship . . . the plenty of provisions brought to Market, and the Industry of all its Inhabi-

1 The author is indebted to the University of Pennsylvania and to the Social Science Research Council for financial assistance in carrying on his researches in the history of consumer credit.

tants, one will not hesitate to call it the first Town in America, but
one that bids fair to rival almost any in Europe.”

There is a basis in the writings of the English officer for comparing the size of Phila-
delphia with that of the other leading cities in the colonies which he also visited. He wrote that there were “more than 3,600 houses” in Philadelphia, “under 3,000” in New York, 2,100 in Boston, and “about 1,500” in Charleston. And Thomas Jefferson, writing from Paris in 1786, said that he had recently made a two months’ trip to England and that “The City of London, tho’ handsomer than Paris, is not so handsome as Philadelphia.”

Philadelphia was relatively a rich and prosperous city. Travelers were impressed with the economic activity of the people and its material results. The city was a great center of business—“the great mart of America” it was called by one critical observer—with many large and small business establishments. There were prominent and influential business families, such as the numerous Whartons (fathers and sons, brothers, half-brothers, and cousins), the Logans, the Norrises, the Pembertons (James, John, and Israel, sons of Israel, a successful merchant), the Powels (Samuel, the “rich carpenter” of his day, Samuel, his son, a merchant, and Samuel, his grandson, the patriot mayor of Philadelphia during the Revolution), the Gratz brothers, Barnard and Michael, who were prominent over a long period of years in the Indian trade and in the coastwise trade between Philadelphia, New Orleans, and Quebec. Special mention should be made of the firm of Willing, Morris & Co., perhaps the leading mercantile business in Philadelphia. Founded by Charles Willing, who accumulated a fortune in twenty-six years of business activity, after his death in 1754 it was continued by his son Thomas in a partnership with Robert Morris. This association continued for thirty-nine years. The firm was engaged in importing British manufactures and exporting American produce. Willing and Morris were merchants, financiers, and shipowners; and both men also held numerous public offices at one time or another.

5 George Cuthbert, 1775 or 1776, to General Dalling, Lieutenant Governor of Jamaica, The Pennsylvania Magazine of History and Biography, LXVI (1942), 206.
The economy of Philadelphia was interdependent with that of the rest of Pennsylvania. The population of the whole Province was estimated by Franklin, when he appeared before the House of Commons in 1766, to be about one hundred and sixty thousand white inhabitants, of whom one-third were Quakers and one-third Germans. The Quakers lived in Philadelphia and its immediate vicinity and the Germans to the westward. Farther west, on the frontier, the Scots-Irish composed a majority of the population. Beyond the frontier were the Indians, principally the Six Nations, the Delawares, the Shawnee, and the Hurons. The Negroes, who were employed as domestic servants and sometimes for farm labor in and around Philadelphia, were less than ten thousand in number.

Pennsylvania outside of Philadelphia was in the extractive and agricultural stage of economic development and Philadelphia was the outlet for its products. The Indians were hunters and trappers and their bear, deer and other skins, and beaver, fox, mink, muskrat and similar pelts, were sent to Philadelphia, largely for export. Lumber and timber were cut and sent to Philadelphia for local housing and shipbuilding purposes and for export. The agriculture of Pennsylvania was diversified, in contrast with the highly specialized staple product agriculture of the South. In the early days, the Swedes and Dutch had gardens and orchards, and raised cattle and hogs. In the period just before the Revolution, grain (notably wheat), hay, beef and pork were the principal products.

The economy of Philadelphia was also interdependent with that of the rest of the Empire, and with other parts of the world. The skins and furs were sent to England in direct exchange for manufactured goods. The timber, wheat, flour, hay, beef, and pork were sent to the West Indies and southern Europe, and the bills of exchange, gold and silver, received in payment were used to pay for manufactured goods bought in Great Britain. Thus, one of the characteristic features of the trade between Pennsylvania and the mother country was that it was largely triangular or circuitous rather than direct, as in

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6 This estimate appears to be much too low. Dr. William Smith, provost of the College of Philadelphia, estimated the population to be at this time two hundred and twenty thousand, one-third Germans, two-fifths Quakers, and more than a fifth Presbyterians (Scharf and Westcott (Philadelphia, 1884), I, 250). Franklin himself estimated the population to be three hundred and fifty thousand in 1774 (C. H. Lincoln, The Revolutionary Movement in Pennsylvania, 1760–1776 (Philadelphia, 1901), 35).
the case of the southern colonies. In 1769, Pennsylvania imported £204,979 of goods from Great Britain, whereas in that year it exported only £28,112 to Great Britain.\(^7\) This was during the non-importation period and trade was considerably less than it had been. Several years before, the Philadelphia merchants commonly estimated the annual imports from Great Britain to be more than £500,000, and the exports to be less than £40,000.\(^8\)

There was comparatively little manufacturing in the colonies but there was more in Philadelphia than elsewhere. The absence of manufacturing was due to political and to basic economic factors. According to the mercantilist regulations in force at the time, the colonies were not permitted to engage in manufacturing. There was also the basic economic determinant: the new country had not yet reached the stage of economic development that was necessary for the successful promotion of manufacturing on a large scale. It could not compete with industrial England. It profited more by applying its labor and its limited supply of capital to its abundant natural resources in trapping, lumbering, farming, shipbuilding, and trading.

There is no better statement of the status of manufacturing in Philadelphia just before the Revolution and of the attitudes of the mother country and the colonies toward this controversial subject than that contained in a letter from General Gage to the Secretary of State. He wrote to Lord Shelburne:

During my Stay at Philadelphia, I could not help being surprized at the great Increase of that City in Buildings, Mechanicks and Manufacturers. The Emigrations from Great Britain and Ireland and the Importation of Germans every year from Holland, contribute to the constant Increase of Mechanicks and Manufacturers in this Province beyond any of the rest. The discharged Soldiers too have not contributed a little to this Increase in Philadelphia, as well as in other Cities of the Continent. Instead of clearing uncultivated Lands, which it was expected they would do, they have for the most part crowded into the Towns to work at Trades, and help to Supply the Inhabitants with Necessaries, which should be imported from the Mother Country. I would take the Liberty to propose to your Lordship, that no Soldier who has any Trade should receive his Discharge in America. . . . They talk and threaten much in other Provinces of their Resolution to lessen the Importation of British Manufactures, and to manufacture for themselves; but they are by no means able to do it. The People of Pennsylvania lay their plans with more Temper and Judgment, and pursue with Patience and Steadiness. They don't attempt

\(^7\) E. R. Johnson, and others, *History of Foreign and Domestic Commerce of the United States* (1915), I, 92.

\(^8\) *The Works of Benjamin Franklin* (Federal Edition, 1904), IV, 177.
Impossibility, or talk of what they will do, but are silently stealing in Mechanicks and Manufacturers; and if they go on as they have hitherto done, they will probably in a few years Supply themselves with many Necessary Articles which they now import from Great Britain.9

II

Credit, including credit to the ultimate consumer, was a constitutive factor of colonial economic life. Lord Sheffield said that at least four-fifths of the importations from Europe into the American colonies at all times were upon credit.10 Current exports from the colonies were not used to pay for current imports but rather to pay debts that had been contracted in making previous purchases abroad. Current imports were to be paid for in the future. Adam Smith, after stating that new colonies were always in debt, told how this came about. He said:

The most common way in which the colonists contract this debt, is not by borrowing upon bond of the rich people of the mother country, though they sometimes do this, too, but by running as much in arrear to their correspondents, who supply them with goods from Europe, as those correspondents will allow them. Their annual returns frequently do not amount to more than a third, and sometimes not to so great a proportion of what they owe. The whole capital, therefore, which their correspondents advance to them is seldom returned to Britain in less than three, and sometimes not less than four or five years.11

The credit that the American importer received from the exporter abroad was passed on to the city shopkeeper (sometimes the importing, wholesaling, and retailing functions in Philadelphia were performed by the same firm), the back-country storekeeper, and the Indian trader who in turn extended credit to the ultimate consumer. The Indian, the farmer, the artisan, the clerk, professional person, and businessman, in their capacity as ultimate consumers, were at the end of a chain of credit that extended from them back to British merchant-capitalists.

In the matter of credit, Philadelphia differed somewhat from the rest of the country, in that it was less dependent upon credit from

abroad. This is another way of saying that the merchants of Philadelphia had accumulated a larger supply of their own capital which was available for use in financing themselves and their customers. As Philadelphia became more wealthy, the local merchants to an increasing extent took the place of foreign capitalists. A similar situation prevailed in other cities of the North. New York, Boston, Newport, and Providence were also commercial centers, each with its wealthy and influential merchants. The South did not have a comparable native merchant class.

III

A study of colonial business, professional, and personal records reveals the fact quite strikingly that there was a large amount of credit extended for the purchase of all kinds of commodities and services for consumption purposes, so much in fact that it seems certain that credit rather than cash was the rule. A recent speaker who was critical of present-day installment buying said that everything from bassinets to gravestones may be bought in this manner. His implications were that this was a new phenomenon and that it represented a moral deterioration from former times—from the good old days when people paid cash and did not live beyond their means. Without passing judgment on the practice from the moral or any other viewpoint, the fact remains that all commodities and services were sold on credit as well as for cash in the eighteenth century.

As a rule, colonial business and professional men kept records of their credit sales only. Thus one is able to determine the volume of their credit sales in absolute amounts but not relatively to their cash or total sales. However, David Evans, Philadelphia cabinetmaker, kept a daybook record of all his sales, cash and credit. He made and sold coffins principally, but he also did a good business in making and repairing furniture—such as bedsteads and cradles. His total sales for 1774, the first year he was in business, were £101.16.0, ninety-nine and eight-tenths per cent of which were on a credit basis. For 1775, his total sales were £129.7.5, ninety-four per cent of which were on a credit basis. His total sales for a thirty-two-year period, 1775 to 1811 inclusive, but excluding 1779 and 1780 (his figures for these two years are not comparable with the rest because many of
them are in terms of depreciated paper money), were £15,007.15.0, ninety-two per cent of which were on a credit basis.\(^\text{12}\)

Robert Aitken, printer and bookseller, did an extensive credit business on Front Street opposite the London Coffee House. He sold books, including Bibles (all of which before the Revolution were imported from abroad),\(^\text{13}\) dictionaries, and school books, and stationery supplies, such as lead pencils, quills and writing paper. His credit sales from June 1, 1771, the day he entered business, to May 21, 1777, when he balanced his books and sent statements apparently for the first time, were £8,231.1.0.\(^\text{14}\) Even before Aitken was born, another printer and bookseller, Benjamin Franklin, had opened a shop which he conducted profitably over a long period of years, printing pamphlets, newspapers, almanacs, and books, and selling them on credit as well as for cash.\(^\text{15}\) His first customer (strictly speaking, *their* customer, as Franklin had a partner when he first entered business in 1728) paid cash. Franklin tells in his autobiography, "This countryman's five shillings, being our first fruits, and coming so seasonably, gave me more pleasure than any crown I have since earned."

The records of a physician, Dr. Benjamin Morris, show that he rendered his services and dispensed medicines largely on credit.\(^\text{16}\) The records of another physician, Dr. Phineas Bond, show that he himself used credit, some of it in the form of overdue rent. On June 22, 1759, he paid a bill of £27.9.0 for "bread, etc. in full to the 15th of April last." On May 19, 1763, he paid £17 for rent due the preceding November. While there was no credit that went by the name of installment buying in those days, there was something that accomplished the same purpose. Dr. Bond bought a pair of horses on August 6, 1764, and paid £25 "in part." On February 26, 1770, he bought a chariot and paid £30 in part.\(^\text{17}\)


\(^\text{13}\) One of Aitken's greatest ventures was the publication of the first American edition of the Bible. When the Revolutionary War stopped the importation of the usual supply of Bibles, Aitken undertook, with the encouragement and approval of Congress, to print the Bible. Notwithstanding this help and organized encouragement from churches, the venture was not a financial success. He lost more than £3,000 on it.


The records of Stephen Paschall, smith, show that he did an extensive credit business in cutting, grinding, and repairing flat irons, knives, razors, scythes, and sickles. Thomas Paschall, smith, likewise extended credit. Thomas Morgan, watch and clockmaker, went to Baltimore in 1771 and was in business there until 1779, when he returned to Philadelphia to open a shop in Arch Street. He repaired, cleaned, and sold watches and clocks largely on credit. James Burd, proprietor of a wine shop or liquor store in Lancaster, sold brandy, rum, wine, and spirits on credit. William Bird, a dry goods or general storekeeper in Amity Township, Berks County, sold on credit dry goods, such as calico, linen, muslin, and thread; clothing, principally shoes, stockings, hats, and handkerchiefs; liquor; other goods, such as salt, pepper, sugar, molasses, tobacco, snuff, nails, razors, powder, and shot. John Williams, general storekeeper in Middletown, Lancaster County (he had two silent partners who were merchants in Philadelphia), sold buttons, calico, candy, cheese, chinaware, coffee, ginger, linen, nails, pepper, ribbon, rice, rum, salt, satin, shoes, silk, snuff, soap, spoons, stockings, sugar, tea, wine, all on credit.

In searching for facts, the records of numerous seller-lenders and buyer-borrowers other than those here mentioned have been examined. Although most of these records are sketchy they tend to confirm all the generalizations drawn from those records complete enough for more detailed analysis.

Articles sold to the Indians, most of which came from England, included guns, gunpowder, and lead; strouts, especially those of a “Deep Blue or Lively Red,” blanketing, and calicoes “of the brightest and flourishing colours”; women’s stockings, “red, yellow, and green”; knives of all kinds, brass and tin kettles, traps, axes, jews’-harps, bells, whistles, and looking glasses. Certain merchants in London, Philadelphia, and Lancaster specialized in the trade, selling on credit from one to the other and to the larger Indian traders, and

from them to their employees, and ultimately to the Indians. Franklin said in his examination before the House of Commons that the Indian trade, though carried on in America, was not an American interest but a British interest carried on with British manufactures, for the profit of British merchants and manufacturers. The truth, of course, is that provincial merchants and traders were very much interested in this trade and for the same reason as the British merchants.

All economic and social groups used consumer credit, although not for the same reasons. As a rule the wealthy did so as a matter of convenience, and others as a matter of necessity. For example, there were represented among Evans' credit customers very poor people who bought coffins for fifteen shillings and who were not required to pay the full price because of their "low circumstances." There were others who had the finest coffins, covered with cloth, lined with flannel, with inscription plates, handles, "laced full trim," "all in the best manner." There was a chimneysweep who cleaned the cabinetmaker's chimney to settle the account for his wife's inexpensive coffin. On the other hand, Evans made the coffin of Chief Justice Edward Shippen, price £20.12.6, and of Doctor John Jones, who, the cabinetmaker states, "was the greatest surgeon of this day." John Adams when Vice President had some furniture repaired and the amount, £0.11.6, put on the books.

Among Aitken's customers were booksellers and book peddlers who bought Bibles, school books, literary works, and so forth, in wholesale lots; but there were also numerous professional people, shopkeepers, and artisans who bought books and stationery not only for professional and business purposes but also for their personal and family use. Among Aitken's credit customers well known to history are: John Adams, the Reverend Jacob Duché, Benjamin Franklin, Joseph Galloway, Francis Hopkinson, Philip Livingston, Thomas Paine, Charles W. Peale (who settled his account with pictures of Lafayette and Franklin), Samuel Powel, Caesar Rodney, Dr. Benjamin Rush, and Noah Webster. Some of his customers may be identified by occupation as follows: a calico printer, a dancing master, a drayman, a farmer, merchants, two shoemakers, a soap boiler, a

24 A. T. Volwiler, George Croghan and the Westward Movement (Cleveland, 1926), 30 ff.
stonecutter, two silversmiths, a tobacconist, an upholsterer, and a watchmaker.

Dr. Morris frequently identified his patients on his books by their occupations. The mere listing of the types of workers included among his patients reveals a great deal about the current economic life of Philadelphia. Thirty-four different occupations were mentioned. The occupation occurring most frequently was that of carpenter, mentioned eighteen times. Mariner was next, being mentioned fifteen times. Third were the tanners, eleven times; fourth the shoemakers, ten times; and fifth the coopers, eight times. The other occupations mentioned were gaol keeper, laborer, leather-draper, blockmaker, schoolmaster, baker, dumpler, stocking weaver, bricklayer, brickmaker, tavern keeper, ropemaker, butcher, hatter, farmer, plasterer, gunsmith, painter, peddler, shipbuilder, barber, tailor, porter, shopkeeper, chairmaker, cabinetmaker, blacksmith, merchant, and miller.

Selling on credit involves costs which in the long run are borne by the ultimate consumer. In the case of open book sales credit, the interest or cost of the credit is not quoted separately but is included in the price of the good. In individual cases, no doubt, some sellers gave different prices to those who paid cash and those who bought on credit, but the custom was then, as it is now in department store charge accounts, to charge the same price to cash and credit customers. This does not mean, however, that the credit does not cost anything. It means simply that cash customers are helping to pay for it in the form of higher prices. While there is no way of knowing how much was added to prices by retailers because of their granting credit, there is some information on how much was added by foreign merchants to the prices of goods sold to American importers on credit. Robert Morris said that, with ready money, importers might have made their purchases "ten, fifteen, twenty, and perhaps in some articles, thirty per cent cheaper than on credit."25 Continuing, Morris said:

It is true that the merchants in England usually shipped goods on one year's credit, without charging interest for that year. But it has been always said, and in some instances proved upon trials in the courts of law, that the year's interest is amply compensated by the advances put on the real cost of the goods, besides other benefits derived by the English merchant, by means of drawbacks, discounts, etc.,

And if the American importer cannot pay at the expiration of the twelve months, an interest account commences, and is continued in such manner, that he pays at the rate of compound interest, until the debt is discharged. Under these disadvantages, the credit, obtained in Europe, at a rate of interest equal to fifteen, twenty, or perhaps thirty per cent has been the foundation of that prosperity which we behold in America.26

There was some cash lending for consumption purposes in colonial times, but it was not quantitatively important in comparison with sales credit. Although pawnbrokers were to be found in Europe from the later Middle Ages, there were none in Philadelphia in colonial times. Also the various types of specialized cash-lending agencies of the present time are a more recent development. The chief sources of cash credit in eighteenth-century Philadelphia were the relatives of the borrower and the merchants from whom he customarily bought goods on credit. Aitken, the printer and bookseller, made a number of cash loans. The smallest was for £0.1.4, and was made to a clergyman customer. The largest was for £126.5.0, and was apparently for business rather than consumption purposes. It was made to a papermaker. Aitken also records a cash loan of £3.7.2 to his son. Thomas Morgan, the clockmaker, made nineteen cash loans to customers, totaling £16.5.9. The smallest was for one shilling, the largest £3. James Burd, the wine shop proprietor, in 1767 made a cash loan of five shillings to one of his customers, apparently a member of his old regiment in the French and Indian Wars. William Bird made a number of small cash loans of a few shillings each to his customers. The debit item, "to cash lent," appears many times in the ledger of Stephen Paschall. The loans ranged from six pence to £4, with one exception, which was a loan of £15 to the proprietor's brother who was also one of his customers. Thomas Paschall also made cash loans to his customers. They ranged in size from six pence to £5.5.0.

Franklin made a great many cash loans. Many of them were for small amounts and undoubtedly should be classed as consumers' loans. Others were much larger and probably were for business purposes. The loans ranged in size from one of two shillings made to a customer and put on the books in the customer's regular charge account on October 23, 1730, to one of £200 made to Robert Smith

on his bond. In addition, Franklin made loans to his relatives. For example, there was one of twenty-five shillings to his brother-in-law, John Read, in 1741; another of five shillings to his grandson, Temple Franklin, in 1776; and another of £22.10.0 to his daughter-in-law, in 1776, which he charged in his memorandum book to her husband, William Franklin. Other loans are recorded thus: “Lent Miss Parker of Arch Street £2.10.0”; “Lent young Dunlap £1.10.0.” One of these loans is of especial interest to the historical student of credit because of the information it conveys on the type of security taken. On November 26, 1763, Franklin loaned £50.0.0 to Anthony Armbrüster and secured the loan with a “mortgage” on Armbrüster’s “printing materials.” Thus, the chattel mortgage, so common today in small loan and installment financing, was in use at that time.

Credit terms in respect to the time the debtor was supposed to pay were customarily indefinite but liberal. “Our laws and habits countenance long credits, and afford slow methods for recovering debts,” it was said. In 1727, Samuel Powel, Jr., a Philadelphia merchant acting as agent for a London firm, wrote his principal that he had sold his wares “tho it may be a pretty while befør I can be in cash for these goods.” The next year he wrote to one of his correspondents that there was a prospective market in Philadelphia for linen goods of various types, “including a few diapers,” but that “little or none of the pay will be had in less than 12 months and some of it longer.” A letter of this same merchant written in 1739 tells in short space a great deal of the customary credit and other trade practices of the time. He wrote:

When we have sold our European goods and trusted them a while, we are obliged to take a great part of the pay in bread, pork, flour, wheat or any goods that are the produce of the country, and most of these goods we send to the islands in the West Indies where they are sold and from thence the effects are sent to England per exchange, gold, silver, or sugars.

In individual transactions time limits sometimes were set, such as six months or a year, but these were the exception rather than the

27 Debates and Proceedings of the General Assembly, . . . 1786, remarks of Mr. Findley.
28 Samuel Powel, Jr. to David Barclay, March 6, 1727, Historical Society of Pennsylvania.
rule. The customary practice appears to have been for the debtor to pay in whole or in part as he was able if he were poor, and at his convenience if he were a man of means.

Collections of accounts receivable were slow in those days as judged by present-day standards. Unfortunately, there are too many dates of collections missing on the books of colonial business and professional men to compute over-all averages for the length of time that their accounts receivable were outstanding. However, there are complete data for many individual accounts. Aitken's books show that Benjamin Franklin paid in nine months and twenty-one days, on an average. Francis Hopkinson, whose purchases were considerably larger than those of Franklin, paid in two years, three months, and thirteen days, on an average. The slowest account (excluding, of course, accounts that were never paid) was that of a silversmith who bought writing paper at various times totaling £1.2.9, in 1771 and 1772, and paid for it in 1788, sixteen years after it was bought. Evans' books show an account that is interesting because of the exceptionally short time it was outstanding. A box was made for General Washington by order of the Quartermaster General of the United States on April 11, 1777, price £0.3.9. This was paid for three days after it was delivered. Evans' slowest account was one in which over five years elapsed before anything was paid on account for a coffin. The accounts of James Burd show that the average monthly collection percentage for the eight-months period, May to December, 1765, was fourteen per cent. This means that the average length of time Burd's accounts receivable were outstanding was slightly over seven months. Benjamin Franklin had delinquent accounts which annoyed him considerably, as will be seen presently.

Bad debt losses on the whole were high in comparison with those of the present time. Aitken distinctly marked bad debts in his ledger on sales made from June 11, 1771, to May 21, 1777. Bad debts were ten and two-tenths per cent of the total credit extended during that period. The smallest bad debt was on the account of a silversmith for a child's play book, price one shilling. The largest was on the account of a papermaker, totaling £225.5.7, which included an item as small as six shillings for a psalm book, and one as large as £126.5.0 for a cash loan. It is interesting to note that the accounts of Joseph Galloway, Philip Livingston, and Caesar Rodney were marked
“Loss.” All three were men of considerable wealth. The amounts involved were small. Galloway bought a copy of Aitken’s Register for four shillings, six pence, on January 12, 1773, but never paid for it. Livingston’s unpaid account was for twelve shillings. Rodney bought a military guide, in two volumes, price £1.2.6, and a copy of Tom Paine’s Common Sense for one shilling, on February 20, 1776. A bill was sent to him in July, 1777, but it was never paid.

The bad debts of Evans were one and four-tenths per cent of credit sales for the thirty-two-year period he was in business, 1774-1812. The uncollected accounts of James Burd were twelve and five-tenths per cent of credit extended. Burd did not specifically mark bad debts. However, during the time the business was in operation and for years thereafter, apparently all collections were carefully recorded. It is reasonable, therefore, to assume that his bad debt loss was the twelve and five-tenths per cent noted above. Some of the accounts on which no payments were made were small. For example, there was one totaling £0.2.1, which was for the purchase of a pound of coffee and a pound of sugar. There is another much larger one on which it is interesting to speculate. It totaled £13.6.9 and was for rum bought in small quantities. The customer came every few days for his supply of rum and continued to receive it regularly for fourteen months although he never paid anything on account.

Dr. Morris’ books are incomplete and bad debt loss percentages cannot be computed. However, some of his accounts are marked as being uncollectible. For example, one of twelve shillings is marked “Nothing to be got for he is broke.” Another of £2.3.6 is marked “Died unable to pay.” Another of £0.3.6 is marked “He is not to be found.” The uncollected accounts of William Bird, the general storekeeper, were eight and three-tenths per cent of credit extended. Those of Thomas Morgan, the watch and clockmaker, were thirty-eight per cent. Of his 193 credit accounts, fifty-one per cent paid in full, sixteen per cent paid in part, and thirty-three per cent paid nothing at all.

Benjamin Franklin referred to his delinquent and bad debt accounts in his will. Details about them are lacking because his Ledger E, which contains the information, has not yet been located, if in fact it is in existence. Franklin bequeathed his business debts as “stated in my great folio ledger E” to the Pennsylvania Hospital,
hoping that his debtors or their descendants, "who now, as I find, make some difficulty of satisfying such antiquated demands as just debts, may, however, be induced to pay or give them as charity to that excellent institution.” The managers of the hospital found the bequest more trouble than it was worth, and seven years later returned the ledger to the executors.\footnote{Carl Van Doren, \textit{Benjamin Franklin} (New York, 1938), 762.}

There was a great deal of what today would be called refinancing, that is, changing the form of the debt—liquidating one debt by contracting another. Book accounts were settled after they had been standing for some time—six months, a year, or longer—by the debtor giving his promissory note or bond, usually with interest, which was negotiable and could be used by the creditor to pay his own debts. There were six cases on the books of Dr. Morris in which open accounts were settled by the debtors giving their notes. These notes ranged in amount from ten shillings to £3.8.3. There are two instances of refinancing on the books of James Burd. In one case an account of £69 which had been standing for approximately one year was balanced by a payment of £17 in cash, and by the customer giving his bond for £52. The customer then made further purchases on a book credit basis. In the second instance an account was liquidated by the customer giving his bond for £25.19.6. There were a number of such cases on the books of William Bird, in which the notes ranged in size from £1.2.1 to £44.16.6. These instances of refinancing occurred after the accounts had been owing from nine months to two years and three months. When the general storekeeping business of John Williams and his partners was discontinued in 1774, the owners had a number of their credit customers give notes or bonds for their unpaid balances. Nineteen notes, ranging in amount from fifteen shillings, two pence, to £36.10.4, and five bonds, ranging from £2.4.2 to £12.7.1, are recorded.

IV

A noteworthy and significant fact from the standpoint of economic science, although it does not seem to have been pointed out heretofore, is that book credit was actually a medium of exchange—a substitute for money. This arose from the practice of balancing ac-
counts against each other, or paying accounts in kind, or refinancing
the book account into a debt evidenced by a promissory note or bond.
The credit instrument in turn was used by the creditor to buy goods
or pay his debts, or by the creditor drawing an order, more formally
called a bill of exchange or draft, on his debtor, and using this to
buy goods or to pay his own debts. If a debt is paid in cash, the
original credit transaction does not eliminate the use of money en-
tirely, it simply postpones its use. However, if the debt is paid in
kind, or if accounts are balanced against each other, or if the account
is changed into a form of debt evidenced by a negotiable instrument
that is itself used in exchange, goods are exchanged for each other
and the use of money as a medium is not necessary. To illustrate,
Dr. Clarkson bought writing paper, quills, and books, totaling
£81.5.2, at various times over a long period of years from Aitken, the
bookseller. Aitken had the professional services of Dr. Clarkson for
his family and also for the family of his son over a long period, the
account totaling £65.3.6. After the accounts had been running for
at least thirteen years, they were settled by Dr. Clarkson paying
the balance of £16.1.8 in cash. Similarly, Aitken balanced accounts
with an ironmonger, a shoemaker, a cabinetmaker, a storekeeper, and
others. Evans' records show that three months after he furnished
two coffins at a cost of £7.10.0 to Hugh Smith for his stepdaughters,
he had a bed from Smith, at which time they "settled and passed
receipts . . . and so we are even to this day." William Bird, the
general storekeeper, balanced accounts at infrequent intervals with
a stonemason, a teamster, a horse doctor, a farmer, a blacksmith,
and others. Also he received innumerable promissory notes, bonds,
and orders, for amounts small and large, in payment of accounts.

Book credit and the promissory note, bond, and bill of exchange
credit growing out of it, as media of exchange, deserve notice in the
development of economic institutions. The lack of an adequate
medium of exchange has a retarding effect on the growth of trade
and prosperity. Specie was always scarce in the colonies because
it was drained off as fast as it was received to meet an unfavorable
balance of trade. As badly as the colonists needed gold and silver
for monetary purposes, they wanted even more the necessities and
luxuries which gold and silver would buy in Europe. The issuing of
paper money was prohibited by Parliament in 1764. Previous to
that its use had proved unsatisfactory because of too abundant issues, although Pennsylvania was one of the most conservative of the colonies in this respect and avoided the excesses of some of the others. Tobacco in Virginia and Maryland, and furs in New England, were media of exchange. But they, like other commodities used as money at one time or another in the colonies, were not very satisfactory because they lacked some of the essential qualities of good money. Demand deposits, as a circulating medium, like banks themselves, were unknown in the colonies. Book credit and the notes, bonds, and orders growing out of it may not be considered very efficient as media of exchange when judged by modern circulating media, but they were the best available and filled a need of the time.

The use of credit, on the whole, helped to increase the productivity of the country. This was true of the credit extended for consumers' goods as well as for producers' goods. The cooking utensils, blankets, and clothing that were given to the Indian had very much the same effect as the firearms and traps. They made him a more efficient hunter and trapper. One may be sure that if this were not the case he would not have been given such articles on credit. The object of the Indian traders and the merchants who financed them was not to promote the welfare of the Indian but to secure the pelts which he brought in from the hunt and the profits to be derived therefrom. The salt which was sold on credit to the farmers for their table use and to cure their pork for home consumption had the same economic effect as the salt which was used to feed their stock and to cure the pork which was sent to Philadelphia for export. The nails bought on credit that went into their homes had the same effect as those that went into their barns. The medicines and services of the physician rendered to those unable to pay cash, and there were many such, tended to make people more healthy, and able-bodied workmen were as essential to the development of the country as the tools with which they worked. It would be far-fetched, of course, to apply the same reasoning to some consumer credit, for example, that which enabled some of the planters of the South to purchase luxuries and to live extravagantly beyond their means, but there is no question

that on the whole consumers' credit in colonial Pennsylvania tended to increase the productivity of the country.

Robert Morris recounted the favorable effects of credit, explaining how America had risen to "opulence" by means of the credit she obtained in Europe. He said: "That credit has been extended by the importer to the country shopkeeper; and through him, to the farmer and mechanic, who being thereby enabled to pursue their labors, have drawn produce from the surface and bowels of the earth, which has not only defrayed the whole of the cost and charges, but enriched the industrious." This statement was made by Morris in support of the Bank of North America, an institution in which he and others associated with him were financially interested and because of these circumstances was *ex parte* in its nature. Nevertheless his account of the effects of credit, generally speaking, is in accord with historic fact and sound economic principle.

In contrast with the views of Robert Morris are opinions attributed to Benjamin Franklin and the recorded views of Thomas Jefferson. Dr. Benjamin Rush quotes Franklin as saying in 1786 that credit produced idleness and vice and that he wished all debts should, like debts of honor or gambling debts, be irrecoverable by law. At another time Franklin is quoted as saying that interest was thirty per cent per annum in China and that this promoted industry, kept down the price of land and made freeholds more common. His point in the latter case apparently was that the rate was so high that it discouraged borrowing and thus the ill effects of credit were avoided. In 1787 Jefferson wrote:

The maxim of buying nothing without the money in our pocket to pay for it, would make of our country one of the happiest upon earth. Experience during the war proved this; as I think every man will remember that under all the privations it obliged him to submit to during that period he slept sounder and awakened happier than he can do now. Desperate of finding relief from a free course of justice, I look forward to the abolition of all credit as the only other remedy which can take place. I have seen therefore with pleasure the exaggerations of our want of faith with which the London papers teem. It is indeed a strong medicine for sensible minds, but it is a medicine. It will prevent their crediting us abroad, in which case we cannot be credited at home.

33 *Debates and Proceedings of the General Assembly, ... 1786.*
The opinions of Franklin and Jefferson are diametrically opposed to those of Morris, and yet they were all expressed at about the same time concerning the same phenomenon by three highly intelligent men. As far apart as these views are, however, each of them, if it is properly qualified, may be true. In special circumstances, credit may be the unmitigated evil Franklin and Jefferson thought it was. About the time that Jefferson wrote the above, he also wrote: "The torment of mind I endure till the moment shall arrive when I shall not owe a shilling on earth is such really as to render life of little value." Even though a heavily involved debtor himself, and the representative of a debtor nation, Jefferson reasoned clearly and fairly about the causes and consequences of debt in certain circumstances. In reference to the debt owing by this country to Great Britain at the end of the war, Jefferson, apparently referring in particular to Virginia, commented:

Among many good qualities which my countrymen possess some of a different character, unhappily mix themselves. The most remarkable are indolence, extravagance, and infidelity to their engagements. Cure the first two, and the last would disappear, because it is a consequence of them, and not proceeding from a want of morals. I know of no remedy against indolence and extravagance but a free course of justice. Everything else is merely palliative; but unhappily the evil has gained too generally the mass of the nation to leave the course of justice unobstructed.

Jefferson also made it clear that the creditors were not without blame. He wrote:

The advantages made by the British merchants on the tobaccos consigned to them were so enormous that they spared no means of increasing those consignments. A powerful engine for this purpose was the giving good prices and credit to the planter till they got him more immersed in debt than he could pay without selling his land or slaves. They then reduced the prices given for the tobacco, so that, let his shipments be ever so great, and his demand of necessaries ever so economical, they never permitted him to clear off his debt. These debts had become hereditary from father to son for many generations, so that the planters were a species of property annexed to certain mercantile houses in London.

The reasons for Franklin's pessimistic views on credit are not clear. Moreover, his views were not in accord with his actions. He was a

debtor or creditor throughout his whole adult life. He started in business by borrowing. He tells in his autobiography about not going through with certain marriage plans because the parents of the girl told him that they could not give a dowry sufficient to pay off the remaining debt on his printing house. Franklin then suggested that they might mortgage their house to provide the money, but this they refused to do. In later years, a substantial portion of his income came from the interest on loans to others. In his will he provided for funds to be loaned to worthy young artificers. Interest was to be paid at five per cent per annum, and one-tenth of the principal was to be repaid each year. The views attributed to him were spoken at the dinner table when an old man. Possibly they were not intended to be taken too seriously. Possibly he was thinking, as Jefferson was, of the difficult problems to be solved at that particular time in connection with the large public and private debt. He may have been thinking about his own uncollectible debts, for, as mentioned above, he referred rather sarcastically to his debtors in his will. He may, also, have been thinking of the disadvantages and abuses sometimes attending credit extension and for the moment have overlooked the advantages of credit when judiciously employed.

V

The widespread use of credit had political as well as economic effects. It meant, of course, that many individuals were in debt to others but more significant than this was the fact that certain economic and social groups and geographical sections as a whole were heavily and continuously in debt to others. The conflict of interests between debtor and creditor groups in Pennsylvania, the former much larger in number of people, the latter much greater in political and economic power, considerably influenced the course of political change and development. Generally speaking, the people of the back country, mostly farmers, were in debt to the mercantile-officeholding class in Philadelphia. The laborers, mechanics, and small tradesmen of Philadelphia were likewise in debt to this same group. James Logan and his family connections may be used to illustrate the interrelationships among the merchant-officeholding aristocracy in Pennsylvania. Logan was a successful merchant who also held important
public offices under the Proprietors, the Province and the City of Philadelphia for a period of forty-eight years. His son, William, was a wealthy merchant. Isaac Norris (1701–1766) was his son-in-law. Norris was Speaker of the Pennsylvania Assembly, common councillor of Philadelphia and head of the mercantile establishment of Norris and Company, one of the largest in Philadelphia. This business he had inherited from his father, Isaac (1671–1735), who was also a wealthy merchant, mayor of Philadelphia, and a provincial official. To carry the line a little further, it might be noted that John Dickinson, a lawyer by profession, was a son-in-law of the second Isaac Norris. In fact the Logans, Norrises, Pembertons, and Dickinson were all related in one way or another.

The conflict of debtor-creditor interests was a part of the complex of causes that brought on the Revolution and was responsible for much ill-feeling between the people of the two countries after the war was over. It caused controversy over political measures within Pennsylvania itself both before and after the war. Colonial merchants, particularly those in Philadelphia, were a centripetal force tending to hold the colonies within the Empire; whereas the debtor groups were a centrifugal force tending to separate the colonies from the Empire. The relationship of colonial merchants to the Revolution has been well established. Colonial merchants, including those in Philadelphia, were among the first to protest against the restrictive measures of Parliament, but they were working for reform within the Empire and were not seeking independence. Caught in the current of events, they lost control of the movement to more radical groups. In Pennsylvania, the radical groups were as dissatisfied with the ruling Philadelphia merchant aristocracy as they were with the ruling group in England. In fact, it has been said that the leaders of the Revolution in Pennsylvania “were more eager to obtain independence within their own State than to throw off the British connection.” When independence became inevitable, the merchant-officeholding class was confronted with what to many of them was a choice of evils. Some of them, such as Joseph Galloway, became outright Loyalists. Others sought to avoid a choice and in varying degrees maintained a neutral position. Thomas Willing voted against the resolution for independence and remained in Philadelphia during the British occupation but he declined to take the oath of allegiance.
to the king. The Quakers, whose membership included most of the prominent merchants of Philadelphia, tended to fall into this same group. Still other merchants, such as Robert Morris, joined the patriots and worked wholeheartedly for the success of the Revolution. It was Thomas Wharton, Jr. (1735–1778), who as President of the Supreme Executive Council of Pennsylvania ordered the arrest, in the interests of the public safety, of his cousin, Thomas Wharton, Sr., the Pembertons and sixteen others, when the enemy was marching on the city.

The community of economic interest between the merchants of Philadelphia and those of London was well expressed in a letter from the Committee of Merchants in Philadelphia, signed by fifteen of them, including Robert Morris, to the Committee of Merchants in London, on November 25, 1769. It reads in part:

> We are very sensible that the Prosperity of the Colonies depends upon the Union and Connexion with Great Britain. . . . We consider the Merchants here and in England as the Links of the Chain, that binds both Countries together. . . . While some . . . are labouring to widen the Breach, we, whose private Interest is happily connected with the Union, or which is the same, with the Peace and Prosperity of both Countries, may be allowed to plead for an End to these unhappy Disputes.30

That the debtor-creditor relationship was a causal influence in the Revolution was evidenced by the controversy over paper money. As mentioned previously, Parliament had passed a law prohibiting the colonies from issuing paper money. This was one of a group of laws passed primarily for the benefit of British creditors whose interests were carefully protected by Parliament. The reasons given in a report of the Board of Trade for the prohibition against paper money was that the merchants trading to America had suffered and lost by it and that debtors in the assemblies had made paper money with fraudulent views. Franklin, in presenting the case from the standpoint of the colonies, admitted that the former had occurred, but only in exceptional circumstances, and contended that if the latter had happened, the innocent colonies should not be punished for it. In his examination before the House of Commons, he stated that the prohibition against making paper money had caused a “greatly lessened” respect for Parliament by the colonies. The strained relations with the colonies also were aggravated when Parliament passed an

30 Pennsylvania Gazette, May 10, 1770.
act which made the lands, tenements, and slaves of American debtors subject to levy for the obligations of their owners, and placed an affidavit of a resident in England on the same footing with the testimony of a provincial in open court in the colonies.

At the end of the war the total debt owed to individuals in Great Britain by individuals in the thirteen states was estimated by Jefferson to be about five or six million pounds sterling. This apparently referred to the principal of the debt only and did not include accumulated interest which would have raised the total enormously, as little or nothing was paid on interest or principal during the war and compound interest was the rule. The treaty of peace provided that creditors should meet with no lawful impediment in the recovery of the full value in sterling money of their debts. Jefferson reported in 1786 that Britain was more hostile to America at that time than it had been during the war, and that the debts were one of the causes. The London papers "teemed" with the "want of faith" of America for not carrying out the terms of the treaty and for not paying its debts. On the other hand, the Americans accused the British of not paying for property, as the treaty provided, which they had carried off during the war. Also the Americans refused to pay interest for the war period. Jefferson himself believed that this part of the interest was not justly due on the ground that it was impossible for the debtor to remit during the war because of the depredations of the creditor nation, and in some cases of the creditor himself "for some of the merchants entered deeply into the privateering business." The matter was still in diplomatic controversy as late as 1792, by which time the pre-Revolutionary debt for the states north of the Potomac practically had been liquidated. The American courts assumed the power of deciding how much was owing in controversial cases that were brought before them and they generally did not allow interest for the war period.

The conflict between debtors and creditors continued in Pennsylvania after the war was over and once again paper money was the issue. Money was scarce and this, along with more basic economic factors, made it difficult for debtors to pay their debts. The people of Pennsylvania, that is, the farmers, the mechanics, and the laborers, demanded that paper money be issued. The Assembly of Pennsylvania was in the hands of the so-called radical groups that had so largely influenced Pennsylvania politics during the war and they could have secured sufficient votes to pass a paper money bill. However, unless the Bank of North America would accept the paper money, it was unlikely that the general public would accept it. It was known in advance that the Bank of North America would not accept the paper money, at least not on a par with specie or at any favorable rate of exchange with it, because the bank was controlled by the creditor interests in Philadelphia. After some delay and bitter controversy in the legislature and in the public press, the Assembly repealed the bank’s charter in 1785. Almost immediately agitation began for rechartering the bank, and it was said at the time that no subject that had ever been agitated before the legislature of Pennsylvania drew such crowded audiences. A trend toward conservatism was developing in the state and finally in 1787 the Assembly revived the charter of the bank. Thus the matter was settled for the time being. However, the struggle of debtor and creditor interests for political advantage, accompanied and complicated as always by geographical, political, and social influences, continued to reassert itself periodically throughout our history. Specifically, mention might be made of the fight over rechartering the Bank of the United States in Jackson’s administration, the Greenback Movement of the 1870’s, and the Free Silver Movement of the 1890’s.

VI

In this study a number of generalizations have been drawn which may be restated briefly by way of summary. A detailed examination of business, professional, and personal records reveals the fact that in colonial Philadelphia, the largest and most rapidly growing city in pre-Revolutionary America, there was a large amount of credit

43 Pennsylvania Gazette, Apr. 5, 1786.
extended in connection with the sale of all kinds of commodities and services for consumption purposes. In fact, it seems certain that credit rather than cash was the rule. There was also some cash lending for consumption purposes. The chief sources of cash credit were the relatives of the borrower and the merchants from whom he customarily bought goods on credit. There were no pawnbrokers in colonial Philadelphia, nor any of the other various types of specialized cash-lending agencies of the present time. In Philadelphia and in the rest of Pennsylvania, with whose economy that of Philadelphia was interdependent, the consumer credit was at the end of a chain of debt that extended from the Indian, the farmer, the artisan, the clerk, the professional person, and business man, in their capacity of ultimate consumers, back to British merchant capitalists. Credits were long, collections slow, and bad debts high in comparison with those of the present time. The use of credit, including consumers' credit, generally speaking, had beneficial effects in that it helped to increase the productivity of the country. Especially noteworthy from the standpoint of the development of economic institutions is the fact that book debt, the usual form of credit, and the promissory note, bond, and bill of exchange debt growing out of it, were media of exchange, substitutes for actual money, and as such filled a pressing need of the time.

The widespread use of credit had political as well as economic effects because certain economic and social groups and geographical sections were heavily and continuously in debt to others. The conflict of debtor and creditor interests was a part of the complex of causes that brought on the Revolution. It was responsible for much ill-feeling between the people of the two countries after the war was over. It also caused internal strife for political advantage in Pennsylvania both before and after the war. These conflicts of debtor and creditor interests in Pennsylvania were the prototype of others that came to the fore periodically in the nation as a whole throughout its subsequent history.