

*New Jersey's
Revolutionary Experience*

9

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Economy*

JAMES H. LEVITT

New Jersey Historical Commission

NEW JERSEY'S REVOLUTIONARY EXPERIENCE

Larry R. Gerlach, *Editor*

This series of publications is dedicated to the memory of Alfred E. Driscoll, governor of New Jersey from 1947 to 1954, in grateful tribute to his lifelong support of the study and teaching of the history of New Jersey and the United States. He was a member of the New Jersey Historical Commission from 1970 until his death on March 9, 1975.

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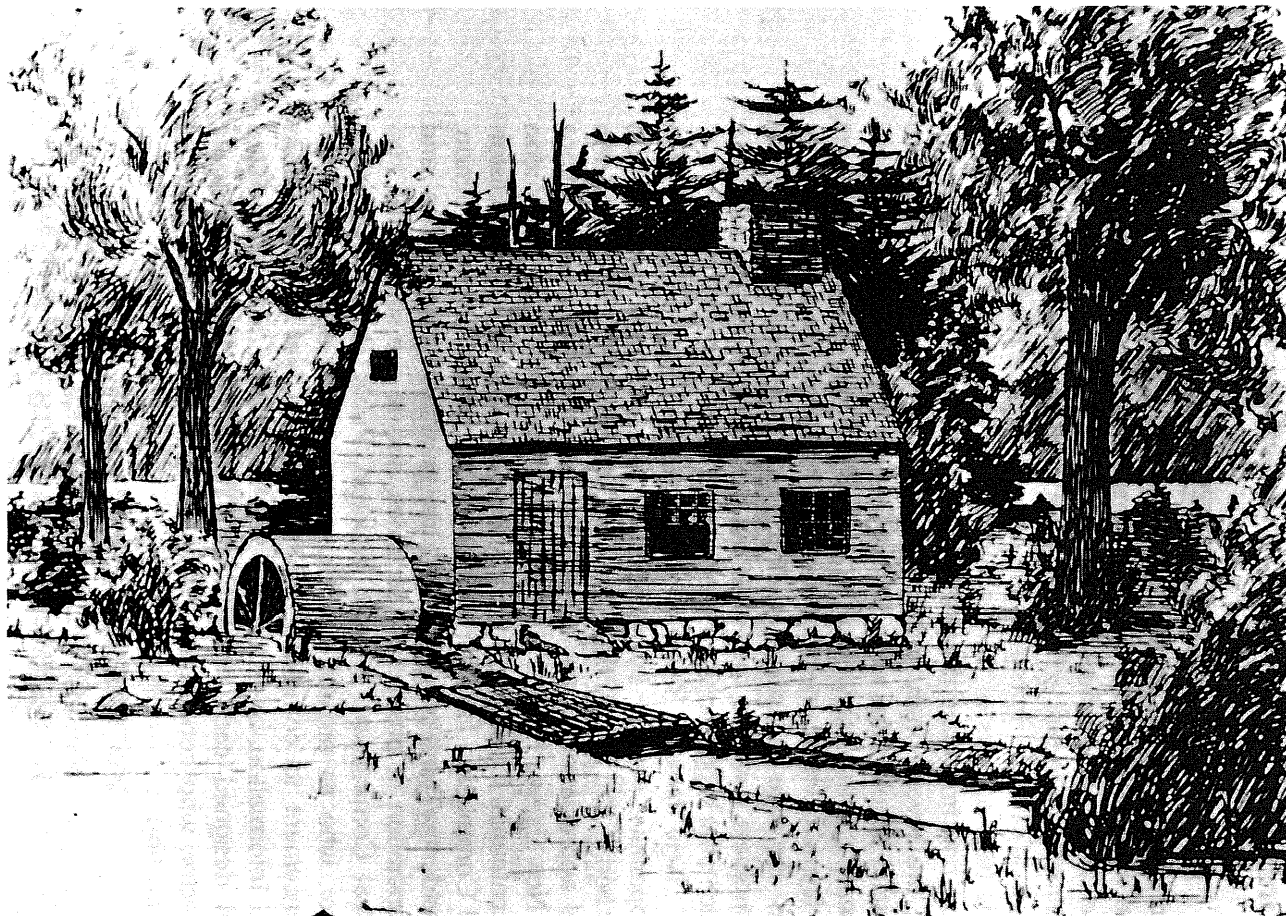
**THE NEW JERSEY AMERICAN
REVOLUTION BICENTENNIAL
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Foreword

New Jersey's Revolutionary Experience is a Bicentennial pamphlet series published by the New Jersey Historical Commission with a grant from the New Jersey Bicentennial Commission. The twenty-six numbers and two teachers' guides are intended to acquaint secondary school students and the general public with the state's history during the era of the American Revolution. Some titles treat aspects of the Revolution in New Jersey, while others show how important themes of the colonial period developed during the revolutionary years; some bring together the results of existing scholarship, while others present the findings of original research; some are written by professional historians, and others by laymen whose investigations of Jersey history exceed avocation. Because the series is directed to a general audience, the pamphlets have no footnotes but contain bibliographical essays which offer suggestions for further reading.

New Jersey's Revolutionary Experience is the product of a cooperative venture by numerous individuals and agencies. On my behalf and that of the pamphlets' readers, I accord recognition and appreciation to the individual authors for their contributions to New Jersey history, to the New Jersey American Revolution Bicentennial Celebration Commission and the New Jersey Historical Commission for their support of the project, to Hank Simon, president, Trentypo, Inc., for his invaluable suggestions and cooperation in producing the series, and to the staff of the Historical Commission: Richard Waldron, Public Programs Coordinator, who as project director supervised the series from commencement to completion; Peggy Lewis, Chief of Publications and Information, and Lee R. Parks, Assistant Editor, who edited and designed each number; and William C. Wright, Associate Director, who contributed valuable suggestions at every stage of production.

Larry R. Gerlach
University of Utah



Powder mill of Jacob Ford, Jr., of Morristown. The mill, erected in 1776 to supply gunpowder for the revolutionary cause, stood on the Whippany River.

The role of the economy in determining the events from the beginning of the Revolution to the ratification of the Constitution remains subject to considerable controversy and interpretation. Perhaps much of our difficulty in assessing the function of economics in forming the new nation stems from the fact that economic conditions and stresses differed in different states. The role of New Jersey's economy as a catalyst for revolution, the effect of the war on the economy, and the economic consequences of independence are important issues not only in the history of the state but also in the history of the nation as a whole. Only after examining the several states as separate entities can we gain a better understanding of the forces which shaped the nation.

Toward Revolution

In the decade following the French and Indian War (1756-1763) there occurred throughout America a general resistance to what were interpreted as changes in Great Britain's colonial policy. One such change was an attempt to regulate colonial currency through the Currency Act of 1764, which prohibited the issuance of paper currency as legal tender (money to be accepted for all debts public and private), without the prior approval of the British government. Another change was the restriction of westward expansion through the creation, by proclamation in 1763, of an imaginary line to be drawn temporarily at the crest of the Allegheny Mountains, beyond which there was to be no white settlement. Also included were a series of duties and taxes designed to raise revenue to maintain British troops in America and to support some aspects of civil

government there. For example, the Sugar Act, passed in 1764, placed a duty on all foreign molasses imported into America. Two years later the Sugar Act of 1766 lowered the duty fee but extended it to include all molasses, whatever the origin. These acts caused concern in America because of the initial fear that they would affect colonial trade adversely. They were grudgingly accepted because it was generally agreed that Parliament had the right to regulate trade within the empire.

The Stamp Act of 1765, a tax placed upon all legal documents, newspapers, cards, dice, and on commercial papers such as bills of sale met resistance from the beginning. Unlike the Sugar Act, which indirectly raised revenue through trade, this act was a direct tax whose sole purpose was to raise revenue. Such a concept had not previously been accepted in America, and many considered it counter to the rights of Americans under the English constitution.

Colonists now began to question the right of Parliament to tax Americans who were not represented in that body. Behind the cry, "No taxation without representation," colonists turned to occasional violence against those who attempted to implement or who approved of the Stamp Act and initiated an economic boycott of British goods to bring about its repeal. Partly because of political considerations in England, the colonists succeeded. But they gave little heed to the Declaratory Act, passed simultaneously with the Stamp Act repeal. They viewed the new act, which claimed for Parliament the constitutional right to legislate for the colonies in all cases whatever, as a mere face-saving device.

The repeal of the Stamp Act did not mean that Parliament would abandon attempts to raise revenue in America. In 1767 the Townshend program, which included import duties on paint, lead, paper, tea, and glass, was implemented. Although the Townshend program was a form of external taxation, the colonists questioned its constitutionality. They maintained that its purpose was not to regulate trade but solely to raise revenue; thus it was similar to the Stamp Act which they had so bitterly opposed on constitutional grounds.

The new program was objectionable on other grounds as well. It included certain administrative changes ostensibly designed to curtail illicit trade and provide for greater efficiency in government.

But the explicit authorization of writs of assistance (a form of blank search warrant); the strengthening of the vice-admiralty courts which tried maritime cases without juries; and the beginning of a civil list of officials to be paid not by the local assembly but by the crown, thereby increasing the power of the crown's representatives over elected officials. All served, as the tax issue did, to generate fears of parliamentary tyranny. Again colonists reacted to the proposals with disobedience and boycott and again they succeeded: most of the tax provisions were repealed.

Confrontations between mother country and colonies demonstrated and reinforced the growing deterioration of their relationship. The colonists, faced with what they believed to be an economic depression, resented any taxes that added to their financial burdens. Perhaps just as significantly, many viewed with increasing apprehension legislative actions they considered to be beyond the constitutional prerogatives of Parliament. Although Jerseyites shared the constitutional concerns of their fellow colonists over the legality of such legislation, the economic conditions in their own colony colored the degree of their opposition.

After 1763 New Jersey's economy began a decline which eventually became something of an economic depression. Problems brought on by the ending of the French and Indian War were intensified by a chronic scarcity of all types of currency. This condition was further aggravated by the withdrawal of paper money issued during the war and by England's refusal, until 1774, to allow a land bank scheme which would have permitted the colony to issue paper currency backed by land as a means of circulating more money throughout the colony. England's compromise in 1774, however, allowed such paper to be legal tender only for the payment of taxes.

New Jersey merchants were confronted with the fact that what little currency remained tended to flow out of the colony to the commercial centers of New York and Philadelphia (a reminder of the failure of their own ports and the domination of their economy by their neighbors). They also faced more general and far graver economic problems that also affected most merchants in the Northern and Middle Colonies. For more than a decade their economic well-being had gradually deteriorated as a result of

expanded British commerce coupled with a liberal policy toward credit. Consequently, American merchants found themselves overstocked and indebted to English creditors. When marketing changes in Britain eliminated the middleman by calling for direct selling to the colonies through company agents and auctions, the merchant class in much of America found itself struggling for its very existence. Seen in this light, the merchants' support of the non-importation agreements of 1765 and 1768 was motivated more by economics than politics. These agreements allowed them to sell goods which previously had been unsalable inventory, to retrench, and to put what little capital they could raise into more diversified channels. Indeed, merchants increasingly had come to realize that economic stability and growth depended on greater economic self-sufficiency. They were by no means prepared for revolution, but they desperately needed political and economic changes; and Jersey merchants hoped that in addition, such changes might afford them the means of breaking the economic domination of their neighbors.

In 1763 the New Jersey farmers faced a host of economic problems. The general economic recession which included shrinking agricultural markets weighed heavily upon them. In addition they encountered a series of crop failures and gained smaller yields per acre from extensively farmed land, which further diminished their incomes. Soon the farmers found themselves in serious debt. Much of their problem, however, was of their own making.

The period of the French and Indian War had been prosperous for most of the colony's farmers, and they had enjoyed a higher standard of living than ever before. Like many in America they found that the postwar decline clashed with their rising expectations. Had they wished to moderate their life-styles, they would have been better off than in the preceding decade. The taste of prosperity, however, was hard to overcome, and in order to maintain themselves at their present economic level they continued to import many luxury items. Toward the end of the 1760s agriculture had again become a profitable venture for most farmers; but since their expenditures continued to exceed their incomes, they found themselves plunging deeper and deeper into debt. Caught in this spiral of their own making and hampered as well by

the lack of currency which prohibited most of them from accumulating enough specie (gold and silver) to stave off their creditors, they grew bitter and resentful. Their animosity was heightened by antagonism between the proprietors and inhabitants over attempts to collect yearly quit rents—fees due the proprietors for use of the land. The inhabitants did not own land outright, but rather were issued patents by the proprietors. The threat, if not always the reality, of the quit rents, coupled with the anxiety generated by inability to actually own land embittered the New Jersey farmer. In 1769 and 1770 the depth of this bitterness was manifested in a number of riots which sought to circumvent local economic problems by halting foreclosure proceedings, and in a growing hostility toward lawyers, merchants, and the British government.

In attempting to justify their own predicament, Jerseyites, along with many fellow colonists, came to view England's actions as part of a conspiracy to entangle the colonists in a net of debts for imported goods which they wanted but did not really need and then, by means of these actions and heavy taxes, to gain eventual control of America's economic life. New Jersey farmers, like others around them, looked for political and economic changes to ease the burden of debt, to reinstitute economic growth, and to restrict the machinations of the mother country.

In serious economic difficulties and psychologically receptive to change, New Jersey became susceptible to suggestions of the more radical elements in the surrounding urban areas. Few in New Jersey envisioned revolution; they wanted changes but when changes grew to include independence, many could not reconcile themselves to such extreme measures. But the majority, led on by the actions of more resolute spirits in New York and Philadelphia, were willing to take the fateful step. How much economic change would ultimately result remained to be seen.

The War and the Economy

New Jersey was one of the first states to feel the consequences of the struggle for independence, for much of the military action during the early years of the revolutionary war occurred in its territory. Washington failed to hold New York against a British invasion in late August 1776. He subsequently retreated into New Jersey pursued by the British who by late November had invaded

the state in force. Despite attempts by the patriots to stem the invasion, the British swept across the state, forcing the Continental forces to take refuge across the Delaware River.

Even though the British now controlled all of New Jersey there was to be little respite from military action. On the night of December 25-26, 1776 Washington recrossed the Delaware and defeated the Hessian mercenaries in the battle of Trenton. He then returned to Pennsylvania, pausing momentarily before launching his forces into the state again. This time he outflanked the waiting British, marched across the state, and was victorious at the battle of Princeton. Then, on January 7, 1777, he proceeded to winter encampment at Morristown. Unsettled by this turn of events, the British concentrated their forces between Perth Amboy and New Brunswick. Six months of rather static warfare ended when the British withdrew to Staten Island on the first of July, leaving the state free from British control.

In 1778 armies once again moved across the state. General Sir Henry Clinton's attempt to evacuate Philadelphia by a land march to New York barely avoided disaster when the pursuing Americans engaged him at Monmouth Court House (modern Freehold). Only by the greatest of fortune—because Major General Charles Lee failed to press home the attack—was he able to extricate his troops and reach New York.

When New Jersey was not the scene of direct confrontation, the state provided an important encampment and staging area for further military campaigns. The presence of the military brought immediate and often vast changes to all aspects of life in the state, especially its economy.

Local communities were often disrupted, many of them suffering, in varying degrees, difficulties similar to those confronted in Perth Amboy. Both armies occupied this community at different times. Its population was uprooted, its buildings were ruined and much personal property, either from necessity or through frustration and anger, was lost or destroyed as soldiers used homes for barracks and confiscated whatever they could find to alleviate the hardships of military life. Wherever armies encamped the surrounding populace was likely to be subjected to continual abuse by soldiers seeking to augment their meager rations.

The horrors of war were ever apparent. Wherever the armies

went, civilians suffered. Both sides were guilty. The British and Hessians, however, in their initial march across the state, perhaps angered at first by the actions of local guerillas, wantonly destroyed livestock and farms, and engaged in looting, pillaging, and occasionally rape and murder, regardless of whether they were dealing with friend or foe.

Agricultural areas were not the only ones to be subjected to such ravages. Industry too paid a price. A number of mills were accidentally or deliberately destroyed during major fighting, but British and Tory raiding parties deliberately damaged much more industry, especially along the coast where they destroyed saltworks, shipyards, taverns and mills.

As no single faction prevailed throughout the state, the inhabitants were subjected to and often participated in raids against the "enemy" within the state. This aspect of war, which often pitted neighbor against neighbor, town against town, was the most destructive of all.

The destruction caused by the war was a factor in disrupting the economy and hampering its recovery after the war, but the extent of the damage remains difficult to assess. An examination of claims submitted for losses due to military action caused by both sides strongly suggests the widespread and extensive damage. The considerable agricultural losses included grains, livestock, and poultry. Homes, churches, and public buildings were also destroyed or severely damaged. The intensity with which much of the destruction was carried out—all the livestock and grain seized; fences torn down, piled up, and burned; orchards cut down and the trees burned; houses completely stripped and everything carried away or burned—is grim testimony to the totality of war. The greatest destruction occurred in Bergen and Middlesex counties, although all areas of the state suffered to some degree. To rebuild this devastation after the war required much of the state's economic resources.

Throughout the war, normal commerce was disrupted, much property was destroyed and many industries were curtailed. At the same time, however, the war created new industries and expanded others. It also encouraged inflation and wreaked havoc with the monetary system. Some of the populace became fabulously wealthy as a result of the conflict while others were reduced almost

to poverty. Those not engaged in military action felt the need for considerable economic adjustment and were often forced to find different avenues for their abilities. The sharp divisions over the question of independence fragmented most economic classes and provided greater economic and social mobility after the war. At the same time the war tended to widen rather than lessen economic differences, reemphasizing that social and political factors, more than natural ability, determined the divisions between rich and poor. Such revelations tended to add to a growing radicalism among the lower elements of society. These social and economic changes were part of the legacy of the Revolution; how enduring they were remains questionable.

The Jersey Farmer

Because they constituted over 90 percent of the population, those engaged in agriculture and associated pursuits bore the brunt of the struggle for independence. Those in the path of devastation wrought as opposing armies swept back and forth across the state suffered immediately, as they lost crops, livestock, and homes. Those outside of the immediate war zone found the presence of the military advantageous and profitable, often trading indiscriminately with both armies.

By 1778, however, those who had escaped the ravages of war had greatly diminished and most now found that the conflict had affected them adversely, either directly or indirectly. A farmer often sustained losses simply by being in the military. The scarcity of hired labor meant that his absence from the farm often left the enterprise with insufficient manpower to function properly. There were numerous instances of fields left barren or of valuable crops left rotting for want of someone to plant or harvest them. The military recognized this fact, and whenever possible militia troops were temporarily released from service during these periods.

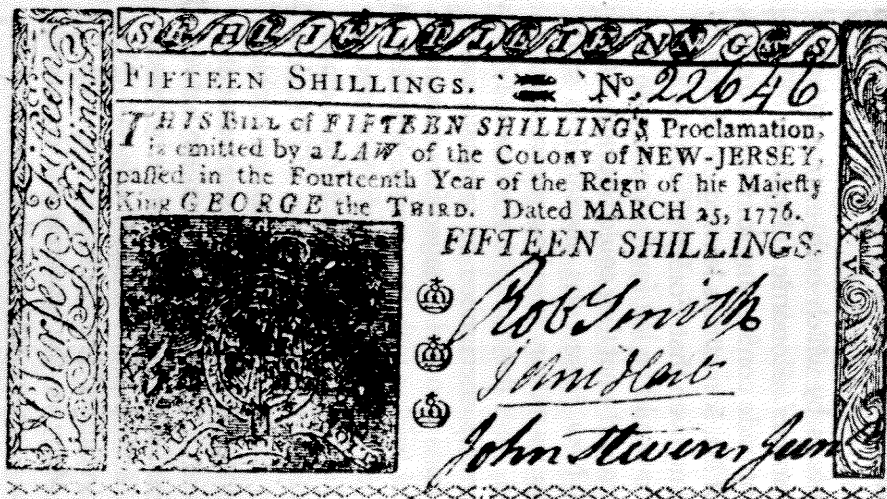
Farmers in other sections of the nation enjoyed a rapid price increase for agricultural produce and held their produce until buyers met their price, enabling them to begin to pay off old debts. Jersey farmers, on the other hand, discovered that after 1778 the military which occupied so much of the state was no longer willing or able to buy their produce. As the army had to be fed and clothed, military agencies turned to a form of confiscation, paying for

supplies not in currency but in government certificates promising to pay a specific amount at a later date. As these certificates were not money in the legal sense, they were of questionable value to the farmer who owed creditors and constantly suffered the heavy taxes to support the war. Holders of certificates gained some relief in 1780 when the state accepted them as payment for taxes, but the use of certificates by the quartermaster and commissary departments placed a considerable economic burden upon the farmer.

Foraging, a popular means by which both armies supplied themselves, added to the farmers' economic difficulties. Military units swept through the countryside confiscating for the army's use all but the bare necessities of life, sometimes leaving certificates in payment, sometimes neglecting even that. Foraging often included insuring that nothing of value would be left for the enemy, so that often the units burned or destroyed what they could not carry away.

The farmer's plight in New Jersey was alleviated to some degree near the end of the war as military lines became more stable and military action slackened. After the battle of Yorktown (1781), many otherwise patriotic farmers succumbed to temptation and joined those of lesser convictions who had engaged for years in the highly profitable enterprise of trading with the enemy. Stimulated undoubtedly by the proximity of New York, which remained in British hands until the conclusion of the war, and of Philadelphia, which had been held by the British from September 1777 to June of the following year, illicit trade had been a major problem. Economic opportunists ran the risk of fines, jail, or even execution to gain a profit. What had been a small but steady stream between New York and New Jersey became a torrent. Attempts by government officials to halt such actions were totally ineffective. Now that the war was almost concluded, few could see the harm in profiting from the British. Many in the government apparently shared this feeling, for there is strong evidence that much of the trade was done with the outright complicity of officials sent to halt it. The specie and goods obtained through such actions undoubtedly proved helpful to individuals in their economic recovery.

Some farmers, in fact, emerged from the war with considerable wealth. Most often they were those who through capricious fortune escaped the physical ravages of war, who were



Paper currency issued by the colony and state of New Jersey at various times in 1776. Top: fifteen shilling note; middle: three pound note; bottom: seven dollar bill. Courtesy Newark Museum

not adverse to turning a profit at the expense of the war effort or their neighbor. Most, however, were not so fortunate. Although the very nature of agriculture made physical recovery fairly rapid, farmers were again faced with economic problems similar to those they encountered before the Revolution. After the war, as military forces left the area, markets for agricultural goods decreased. The problem was further aggravated when Britain excluded her former colonies from unrestricted trade within her empire, especially in the West Indies. Most farmers, unable to liquidate their debts during the war had, in fact, increased them. In addition, they had to assume a heavy tax burden which had increased enormously with the state's decision to assume what amounted to direct responsibility for a portion of the debt of the Confederation.

A few farmers had added to their land holdings by purchasing confiscated property, but most farms remained unchanged. With land no more fertile than it had been before the war, low yields per acre continued to plague the state. Under these conditions, many farmers began to abandon the state to seek land in more fertile areas. Those who remained began again to call for economic and political changes to lessen their difficulties.

The Merchants

Merchants, landowners, and men of means who supported independence, like John Stevens, John Neilson, and William Paterson, faced the difficult task of supporting the Revolution while maintaining their own economic positions. The most successful in this regard were the merchants. Prior to the Revolution few had been involved in commerce out of their own ports: Salem had become primarily a feeder for Philadelphia, and Burlington had almost ceased to function as a port. At Perth Amboy, a few merchants controlled what little trade remained, among them John Neilson, who conducted a shuttle trade between New Jersey and the trading centers of New England.

Lacking urban centers of their own, men like John Stevens operated through neighboring provinces, and many had business enterprises in both their own and neighboring colonies. With these avenues of commerce closed to them, they shifted their energies from peacetime activities to more hazardous speculative pursuits. Some, although committed to the cause of revolution, were also

committed to personal profit to the extent that they were willing to engage in illicit trade. They used their merchant connections to sell the British badly needed items such as salt, at more than twice its market price.

Those previously involved in maritime activities attempted to conduct trade with the Caribbean from smaller ports along the Jersey coast, such as the landing at Cape May. But this was extremely hazardous and the profit relatively small. Privateering was far more enticing. Outfitting a private war vessel commissioned by Congress to act against the commerce of Great Britain was a hazardous enterprise, but it also offered a potential for the highest returns. Many merchants were willing to accept the risk, although to minimize the potential loss of capital such an undertaking was often divided into shares, held by as many as thirty-two different persons. This was the case with Colonel Daniel Hendrickson of Monmouth County — landowner, merchant, and retail store owner — who held one of ten shares in the privateer ship *Love and Unity*. He profited further by acting as agent for the others in the enterprise, disposing of the cargoes captured by their raider.

The disposal of such cargoes was a major source of income, and many merchants unconnected with privateering itself profited from the sales. By 1778 privateering had become a major enterprise along the Jersey coast. At Little Egg Harbor, the Mullica River, Toms River and Cape May landing, small commercial centers grew up to support these operations. Yet again New Jersey's economic livelihood depended on its neighbors. Less than one percent of the vessels operating from these areas were registered in the state; the majority had been commissioned in Philadelphia. Although New Jersey merchants were often involved in privateering ventures most of the financing for them came from elsewhere. The end of the war brought the demise of this new industry, but it had provided merchants and many along the coast with a means of sustaining themselves.

Many merchants in the state turned to speculation in goods and currency for profit. Such speculation often worked either to the detriment of the government or the general populace, but many justified their actions by the belief that the sacrifices they made for the war should be balanced by any benefits they could accrue. John Neilson saw nothing immoral about selling salt to the government at

\$35 a bushel when he had bought it for fifteen. Nor did men like William Paterson question their own ethics when they purchased various currencies and certificates at a deflated value and then demanded that such paper be redeemed at full value, thereby garnering a windfall profit at the expense of the common man.

Merchants and wealthy citizens also diversified their funds into home industries, continuing a trend that had begun as early as the middle of the previous decade. The success of such ventures was often assured through partnership arrangements with those responsible for issuing government contracts, as was the case with the Batsto Furnace in southern New Jersey. These arrangements were not thought of as illegal, though one might question their propriety. Certainly, however, the partners were in a position to gain considerable wealth.

Most merchants were glad to see the end of hostilities, for while some had become wealthy, most had been able merely to maintain their economic position. In general they found the uncertainty of a wartime economy less productive than their peacetime activities. Some found that their support of independence now provided them with some degree of upward mobility as they assumed political and social positions previously held by Loyalist merchants whose actions to suppress the Revolution lost them a place in the new nation. Almost all found, however, that peace and independence did not totally extricate them from their prewar plight. In some areas it added to their difficulties. Commerce at New Jersey ports before the war had seldom been affected by English mercantile policy. The colony's patterns of trade had been almost exclusively coastwise, and thus not subject to British restrictions. Its imports of goods primarily associated with an agrarian economy and its exports of agricultural produce and timber products seldom fell within the scope of English regulations. In the postwar period then, the absence of imperial restrictions had almost no effect on these aspects of trade at the state's ports.

Those merchants who traded from neighboring states, however, were adversely affected when the war ended. With England's decision after the war to restrict our country's trade within her empire, an important market, the British West Indies, was lost, and a principal source of income, the carrying of freight, decreased dramatically. It would take almost a decade to

arrive at accommodations with the English and to develop new routes in order to restore this aspect of the economy. Merchants found that New York and Philadelphia, as they had to a great extent before and during the war, again dominated the state's economy. The creation of Perth Amboy and Burlington as free ports, a last desperate attempt to break these chains, was unsuccessful. In fact, the failure demonstrated the state's vulnerability, as in retaliation trade barriers were erected by hostile neighbors. If New Jersey merchants were to effect a significant change in their peculiar position it would have to come, they felt, through the actions of the national government under the Articles of Confederation (the constitution of the United States 1781-1789). When the government proved ineffective, many began to look beyond it for a solution.

Industry and Manufacturing

The agrarian nature of the state greatly affected industrial development, as it did all phases of the state's economy. What major industry existed was primarily in areas associated with agriculture, particularly the conversion of raw products of farm and forest into more processed forms, such as flour or lumber. This industry, which had been expanding rapidly since 1750, continued to do so throughout the revolutionary war even though many facilities were destroyed. Such growth occurred because the military required an ever-increasing volume of leather goods—including shoes and hats—and processed foods such as hams, cheese, and flour. In the aftermath of the war, expansion continued; as long as agriculture remained the mainstay of the state, this type of industry remained essential.

Shipbuilding, on the other hand, suffered as a result of the war, for although privateering brought about the construction of some new vessels, it did not compensate for the loss of a peculiar kind of home industry. Many of the vessels built in New Jersey were constructed, not by skilled artisans in shipyards, but by farmers who gained additional capital by building small vessels literally in their backyards. The war totally disrupted this aspect of maritime economy until the coming of peace. After the war much of the industry recovered, for although the demand for vessels decreased as postwar shipping declined, merchants in Philadelphia and New

York brought vessels in New Jersey, because the rural labor supply and the availability of timber made construction costs cheaper than in their own states.

The war had totally disrupted trade and virtually eliminated America's source for salt, gunpowder, linens, woolens, and ironware. The colonists, of necessity, turned to their own resources, forcing rapid expansion of these industries during the conflict.

In New Jersey, cloth had been locally manufactured for a number of years, primarily in the home. The families who produced it used most of it themselves and marketed any surplus. Because their homespun cloth was generally inferior to imported fabrics, the market for it was relatively small; but in a patriotic fervor brought on by the necessities of war, Americans shunned European finery for native fare. The government encouraged the development of native industries by exerting pressure to keep sheep for wool production rather than for meat, and by having public officials such as Governor William Livingston appeal to the populace for more homespun. As a result, by 1780 a number of woolen mills had sprung up along the state's waterways. By the end of the war, New Jersey had a flourishing wool and linen industry.

Salt was necessary for preserving meat and other foodstuffs, and salt production, which had been nurtured on a limited scale in violation of British law, now burgeoned. Saltworks sprang up along the New Jersey coast as investors seeking a quick profit poured in capital. Several prominent merchants, among them John Neilson, were involved, and again money from Philadelphia found its way into the state's industry. The most noted, the Pennsylvania Salt Works at Toms River, obtained capital from the Pennsylvania Council of Safety. So rapidly did the salt industry expand that the market was soon glutted, and from early 1779 until the end of the war the industry stagnated.

Although the presence of considerable deposits of iron ore in New Jersey had given rise to a number of furnaces and forges throughout the area prior to the Revolution, few of these works had proven economically viable. The most famous of these, the Ringwood Ironworks in Bergen County, suffered constant financial trouble, and many lesser enterprises had failed completely. Many blamed the failure on the restrictions Great Britain placed on this industry, but the war radically altered the situation. The need for

cannon balls, shot, and other military hardware, coupled with requirements for domestic ironware, produced an unparalleled demand, assuring the success of the industry throughout the period of conflict.

In the salt and iron industries as well as in other large-scale operations, labor became a major problem. The manpower shortage which occurred periodically threatened to slow or even halt production in some areas. To ease the problem, the government exempted workers in certain industries from military service on an individual basis. At the Mount Hope Ironworks in Morris County, and in other areas, prisoners were sometimes used as a labor force, and on several occasions, despite regulations to the contrary, a clever or desperate owner successfully contrived to use military personnel to supplement the civilian work force.

Although the textile, salt, and iron industries had the greatest economic impact in New Jersey, the coming of the war assisted numerous other small enterprises. A powdermill erected at Morristown through a loan from the legislature and other small industries such as papermills and brickmaking factories scattered throughout the state, benefited from the war.

The coming of peace and the resumption of normal trade diminished or curtailed most of these industries. The textile and iron industries declined to a great extent, while the salt industry ceased as the demand for these local products decreased with the availability of better European products. Further, industrial development proliferated more from the artificial stimulus of war than from the removal of British restraints. After the war, the old problems of industry in New Jersey, and indeed in much of America, reasserted themselves. Chronic shortages of funds and investors, inadequate and unskilled labor forces, and a sparse population unable to consume the volume that make large-scale industry profitable beset the young country. They were problems influenced very little by any deliberate policies of the British. Only changes in population and wealth over a period of time could alleviate the state's industrial difficulties.

The Monetary System

The monetary system was the hub around which the rest of the economy revolved. Highly complex, its importance to an

understanding of the period is crucial. Throughout the war New Jersey faced problems which were partly the result of, and certainly intensified by, attempts by both Congress and the state to finance the Revolution through issuing paper currency and a variety of certificates. Paper money had been used throughout colonial America to provide a flexible medium of exchange and to assist in financing the colonial wars. Such currency was issued either as bills or certificates of credit usually backed by land, or the colonial administration issued them directly, with security resting on the legislature's promise of redemption through future taxes. But the magnitude of financing the Revolution in this manner resulted in unacceptable monetary depreciation and runaway inflation. New Jersey's efforts to stabilize the economy through legal tender laws, wage and price controls, and higher taxes were generally unsuccessful: by 1780 financial problems had assumed crisis proportions.

In ensuing years economic stability was partially restored through the retirement of Continental and state currency then in circulation, followed by new issues from the state of a more stable currency. Further stability resulted when the state assumed interest payments on the Confederation's defaulted loan certificates. But the manner in which these changes were implemented produced political and social unrest, pitting debtor against creditor and furthered the political polarization of the eastern and western divisions of New Jersey. These factors encouraged a political and social climate in the 1780s that enhanced New Jersey's dissatisfaction with the Confederation.

In the earliest stages of the war, Jersey's economic situation remained fairly stable. The key to her relative prosperity, however, lay in Congress's ability to continue to meet its own fiscal obligations. This it was unable to do, and the Continental currency began to depreciate rapidly, dropping from one dollar specie to three "Continental" in 1777, to one to one hundred by 1780. More significantly, as the currency depreciated past the point of general acceptance, Congress authorized commissary and quartermaster departments to issue certificates (in effect, I.O.U.s) for supplies and services essential to the war effort. The presence of the military in and around New Jersey now brought economic disaster as it glutted the state with purchase certificates. Under these circumstances, as

the hard money in the state began to flow out, it was replaced by more and more paper of questionable value. By 1779 the economy of the state was in total disarray.

The Tories not only refused to cooperate but hampered New Jersey's attempts to halt deterioration and to stabilize the situation. In several instances they added to the currency crisis by assisting the British in introducing large amounts of counterfeit paper into the already unstable economy. The large Quaker population also refused to cooperate. Their pacifist religious tenets led them to resist attempts to collect taxes or to accept the government's paper currency and certificates, all of which, they reasoned, supported war. Nevertheless, as early as 1779, New Jersey began to retire its own bills. In the following year the state tried to assist the tax-ridden citizens by accepting certificates for the payment of taxes and by allowing people to exchange them for state bills.

All the while the state was attempting to collect taxes, both for the support of the government and the withdrawal of Continental and state currency from circulation. In the first two years of the war the general economic dislocation prevented the collection of almost any taxes, but thereafter, although collections were often uneven, the state did surprisingly well. Part of the reason for success undoubtedly lay in the state's decision to broaden its tax base to cover most forms of wealth, including interest on money.

Most significant, however, was New Jersey's adoption in 1780 of the central government's plan to withdraw Continental currency. New Jersey agreed to withdraw ten million dollars (although only seven million was actually retired) through taxes and then to reissue new currency on the basis of one new dollar for every twenty withdrawn. To insure success for this venture, the bills were declared legal tender and arbitrarily set at one to forty against Continentals then in circulation. But the plan proved to be a mistake because the continual decline of Continental currency resulted in a depreciation of the new issue, which was tied to it. Jersey quickly abandoned this scheme and instead fixed Confederation currency at its real market value. But the damage had already been done; the new currency stabilized at three to one in relation to specie. The government then repealed the law which had made the new currency legal tender, and allowed the state treasury to issue such money at the current rate of exchange.

The new currency did, however, provide a necessary and relatively stable medium of exchange.

However, problems occurred when the state began to withdraw that currency. How was it to be redeemed? In the ensuing dispute over this question, economics rather than politics held sway. Creditors and conservatives in the eastern half of the state, holders of considerable paper, demanded that the legislature honor its commitment to redeem at face value. The lower classes predictably aligned themselves against the creditors and what they termed "currency speculators" and demanded that the money be redeemed at market value. Creditors and conservatives in the western division, who had little paper money and hoped to reduce their own economic burden by paying taxes with specie at the ratio of three to one, supported their position.

In this controversy those favoring current value won; but the outcome had long-range political and economic ramifications, for it reinforced the traditional polarization of East Jersey and West Jersey and convinced many of the state's influential citizens that a "democratic" state legislature could not be trusted to uphold the sanctity of contract.

For such conservatives the experience with the central government offered even less hope for fiscal responsibility and economic security. Congress had not only repudiated its own money by fixing federal currency at forty to one for specie, reducing its debt from two hundred million dollars to a mere five million by a stroke of the legislative pen, but after 1782 Congress failed to pay interest on its loan certificates. Jersey had rescued its own citizens who held such loans by paying them their interest on these certificates directly in special "revenue money." The state refused from that point on to deliver any currency to the Confederation and instead embarked on its own independent fiscal course.

Monetary problems had produced a heavy debt that pressed upon the middle income farmers and the lower class, and left many in the upper classes fearful of an unrestrained democratic government. This situation acted as a catalyst and left many diversified groups again seeking change.

Jersey and Confederation

The most pervasive economic problems of the states came to

the fore in New Jersey's response to the Articles of Confederation, the constitution for the new government which Congress presented to the states in 1777. First of all Jerseymen were concerned because the articles made no provisions for the direct raising of revenue; instead, the various states were to provide the capital to maintain the government and discharge the public debt through a requisition system. Second, the various states rather than the national government were to regulate interstate commerce. Finally New Jersey was concerned about the attempts by some states, notably Virginia, to preempt lands west of the Appalachian Mountains for their exclusive use. A number of states had claimed these lands under the provisions of their colonial charters. If surrendered, the territories would provide income for the new nation. This in turn would further lower the fiscal burden of supporting the Confederation.

New Jersey, having no claim to western lands, felt that the failure to surrender these lands placed a proportionately greater burden to support the national government on the "landless" states because they had no land to sell to reduce their tax burden. Furthermore, that burden would increase if the government failed to acquire the western lands as a source of income. In addition, surrender of western lands would provide both an outlet for Jersey farmers seeking more fertile land, and a chance for Jersey speculators to acquire acreage from the national government at a price far cheaper than that demanded by rival states. In launching a major political effort for their surrender, New Jersey and other landless states joined states whose claims to western lands were weak. As a result of this action, the objective was achieved, but the issue of western lands delayed ratification until 1781 when Virginia relinquished her claims to the territory.

But the ratification of the Articles of Confederation left the problems of commerce and tariffs unresolved. As New Jersey had feared, the Confederation, without its own source of income, became quickly insolvent as the various states, encumbered by political and economic difficulties of their own, failed to provide revenue sufficient for the national government to meet its obligations. As previously noted, when the national government proved unable to pay the interest on its loans in 1782, New Jersey assumed that responsibility to its citizens. Having done so, the state con-

sidered itself released from further fiscal obligation to the national government. The following year Jersey refused to provide any funds to the Confederation, stating that until some degree of national solvency could be achieved no revenue would be forthcoming.

New Jersey felt that the best means of attaining national solvency would be to allow Congress to levy a tariff on foreign imports. Congress had attempted unsuccessfully to gain this power as early as 1781; now its apparent necessity brought most of the states into general agreement upon this course of action. But Rhode Island's recalcitrance frustrated the plan, which required unanimity to pass. With that, New Jersey held its ground and steadfastly refused to change its policy of withholding funds from the national government. This refusal eventually proved an important element in the decision on the part of several states to call for a constitutional convention.

The lack of a central authority to control trade also affected the state's economy adversely because most of its foreign commerce was carried out through the surrounding states. Jersey citizens were forced to pay taxes and tariffs on goods coming from other states, such as New York and Pennsylvania. Had the Confederation been given control of commerce, New Jersey would have considered itself on a more nearly equal footing with its neighbors.

New Jersey, losing hope that the Confederation would provide the vehicle for eventual economic stability and greater prosperity, now began to view it as an economic liability. Yet Jersey, sparsely populated, with little commerce, no real merchant class, no urban areas, and a history of a weak central government and frequent political turmoil, could not stand alone. If it were to survive it had to be part of a larger governmental body, such as the Confederation. But what was apparent to many throughout this period was that if Jersey wished also to prosper, the framework of the national government needed considerable alteration.

Many Jerseyites had hoped that the aftermath of the Revolution would change their economic situation for the better. They were disappointed, however, to find that independence brought only minimal changes to the state's economy. Their greater social mobility was generally restricted to the upper limits of individual economic classes. Problems of farmers remained essentially unchanged, and internal difficulties involving capital,

markets and hired labor still plagued industry. Trade patterns remained the same; merchants continued to depend on New York and Philadelphia, and Jersey's economy retained its crucial ties to these two areas. When the economy failed to improve after the war, large numbers of concerned citizens looked to the Confederation for aid. Finally, when it was obvious that the Confederation could offer only ineffective solutions to economic problems, Jerseyites looked beyond their disillusionment to a new constitution as the means of effecting desirable changes.

For Further Reading

There are many general works on the economy during the revolutionary period; among the best is Curtis P. Nettels, *The Emergence of a National Economy 1775-1815* (New York: Holt, Rinehart and Winston, 1962). Particularly valuable are the first few chapters which detail the changing situation from the disruption of the colonial economy, through the money crisis of the nation, to the postwar problems and attempted solutions. On the monetary system during this period E. James Ferguson, *The Power of the Purse: A History of American Public Finance* (Chapel Hill, N.C.: University of North Carolina Press, 1961), which details the financing of the war, the personalities involved in implementing public financing and how the problems of the public debt moved us toward the Constitution, remains not only the most readable but the most authoritative work on this subject.

Demographic, quantitative, and statistical methods have offered many new insights into the economic history of America. An outstanding summary and synthesis of many of these newer interpretations can be found in James A. Henretta, *The Evolution of American Society, 1700-1815* (Lexington, Mass.: D.C. Heath & Co., 1973). Merchant problems prior to the Revolution are discussed in a provocative article by Marc Engal and Joseph A. Ernst, "An Economic Interpretation of the American Revolution," *William and Mary Quarterly*, 3rd ser., vol. 29, no. 1 (January 1972), pp. 3-32.

New Jersey's economy as a separate entity has been neglected. This is particularly true of the revolutionary period, yet much valuable information may be gleaned from works such as

Richard P. McCormick, *Experiment in Independence, New Jersey in the Critical Period, 1781-1789* (New Brunswick: Rutgers University Press, 1950). Although the book focuses on the period 1781 to 1789, it includes much background material on the economic basis of some of the problems of that era. His analysis of the relationship between business and government and the two chapters on the monetary system are especially informative. McCormick's *New Jersey from Colony to State* (Princeton: D. Van Nostrand Co., 1964) is more general. The latter part of this work capsules much of the economic development during the Revolution and how it interacted with the political and social development of the time. Arthur D. Pierce's *Smugglers' Woods* (New Brunswick: Rutgers University Press, 1960), is an enjoyable work on Jersey's early history. The highly detailed chapters on the development on the salt works along the coast and on privateering, important aspects of the economy during the Revolution, cover locations, methods, and personnel, yet they retain the appealing literary style that characterizes this book. An older work, but one of considerable value, is Leonard Lundin, *The Cockpit of the Revolution: the War for Independence in New Jersey* (Princeton: Princeton University Press, 1940; reprinted by Octagon Books, New York, 1972). It contains a good background on the economic aspects of the civil disorder and on the damage to the state in its war of attrition.

For information on a specific industry or occupation in New Jersey, the works of Harry B. and Grace M. Weiss on such topics as *Trades and Tradesmen of Colonial New Jersey* (Trenton: Past Times Press, 1965); *The Early Woolen Industry of New Jersey* (Trenton: New Jersey Agricultural Society, 1958); *The Revolutionary Salt Works of the New Jersey Coast* (Trenton Past Times Press, 1959); and a host of others are invaluable.

An article of considerable value is Edward A. Fuhlbruegge, "Abstract of New Jersey Finances During the Revolution," *Proceedings of the New Jersey Historical Society*, vol. 55, no. 3 (July 1937), pp. 167-190. Although old, it is one of the few works that concerns itself solely with the economic aspects of the Revolution. By linking the many facets of the economy it provides a brief but good overview. More general, but still extremely helpful, is David L. Cowen, "Revolutionary New Jersey 1763-1787," *Proceedings of the New Jersey Historical Society*, vol. 71, no. 1 (January 1953), pp. 1-23.

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JAMES H. LEVITT is assistant professor of history, State University of New York at Potsdam. He received his doctoral degree from the University of Utah in 1973 with a dissertation entitled "New Jersey Shipping 1722-1764: A Statistical Study." Levitt's interest in quantitative history and in the computer as a research tool is reflected in his current studies of slavery in colonial Costa Rica and ports in colonial America—especially those of New Jersey.



T.M.