AMERICANA

A 400-Year History of American Capitalism

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TOBACCO

Just as the Pilgrims were finding their initial footing in New England, the venture in Virginia was in its final days of collapse. The Virginia Company had endured repeated failures and humiliations as a commercial entity, but the 1622 Indian massacre of the English settlement in Jamestown, which killed over three hundred settlers, sealed its fate. After an investment of £200,000 over the preceding seventeen years from English adventurers, sending over one hundred shiploads of supplies and seven thousand men and women, death had left the population of Virginia numbering a little more than one thousand. In 1624, horrified by the mortality rate and the lack of prospects to grow to anything resembling viability, King James revoked the company's charter. From that point, Virginia ceased to be a company and would be governed as a colony. By not being able to keep the King's subjects safe, the company had missed a chance to control the monopoly on what turned out to be America's most valuable commodity of the seventeenth and eighteenth centuries.

Tobacco was late to arrive in England. Observed by European explorers starting in the fifteenth century, Native Americans throughout the Americas had been known to smoke tobacco through a variety of inventive methods for social, ceremonial, and medicinal purposes. By the early sixteenth century, ships and sailors returning to Spain brought with

them the tobacco that they had once seen with curiosity and now used with enthusiasm. It soon became a cure-all, a remedy with doubtless therapeutic powers, on the Iberian Peninsula.

While overseas ventures had brought tobacco to England on a sporadic basis, it was with the arrival of one of Sir Francis Drake's ships with ample supplies of both leaf and seed that tobacco made its way to domestic planting. As late as 1588, an account to the Queen still had to define and describe what was to be done with this tobacco. But by 1600 the smoking pipe had become a staple of upper-class salons in London society. This led to perhaps the world's first antitobacco advocate. Assuming the throne upon the death of the childless Queen Elizabeth I, King James took aim at his subjects' seemingly insatiable indulgence.

Publishing a tract titled *A Counter-Blaste to Tobacco* in 1604—anonymously at first—His Majesty opened by questioning why honorable men would "imitate the barbarous and beastly manners of the wilde, godless, and slavish Indians, especially in so vile and stinking a custome?" Much of the rest of the admonition, however, seems to have been four centuries before its time. Countering a view that tobacco was a cure for everything, it asked, "what greater absurdity can there be than to say that one cure shall serve for diverse and contrarious sorts of diseases." It then pointed to the poisoning of the lungs and disruption in the function of the organs. Finally, it equated tobacco use with "a branche of the sinne of drunkennesse, which is the roote of all sinnes."

The King's rebuke would prove ironic. A few years later, a young man named John Rolfe would arrive in Virginia after an especially arduous journey. In 1609 a convoy of nine ships headed to Virginia. Rolfe and his wife, on board the appropriately named *Sea Adventure*, made it to within a few hundred miles of Virginia before being violently swept off course. After the ship crashed into rocks off an island near Bermuda, its passengers were stranded for nine months. Using local woods and salvaging the rest from their ship, they built two smaller boats to sail up to Virginia. After his wife's untimely death, Rolfe settled in Virginia. Seeing the tobacco of the local Indians to be "poor and weak," Rolfe planted seeds of a Spanish variety from the West Indies. "Never was a marriage of soil and seed more fruitful," wrote Joseph Robert in his history of tobacco. The Virginia soil along the river and town named for the antitobacco king proved to be the colony's salvation.

But even success brought misfortune. Seeing the miraculous growth of tobacco, the settlers, with their mercenary instincts, immediately applied the majority of their efforts to this trade. For a community that had been on the brink of starvation more often than not, this diversion of focus presented the very real risk of food shortages. For the men of Virginia, Rolfe noted, "who generally are bent to covet after gain," it would have been virtually impossible to pay attention to the "tillage of corn" with the allure of such easy profits. Remarkably, the solution seemed to be market regulation. With supply ships unpredictable and often sparsely provisioned, a collective food shortage would have been existential. Understanding this dynamic, the serving governor ruled that every man must plant two acres of corn to ensure his own food supply before planting any tobacco. The penalty was forfeiture of the tobacco.

In 1616, the first year for which meaningful agricultural data is available, a little over one ton of tobacco was shipped to England. Within four years, this grew to over sixty tons. The death and destruction in their midst cut this production in half soon after. Rolfe's discovery, however, had set the economic template, with all of its attendant consequences, for the entire southern half of English America.

IN THE YEAR before the landing of the *Mayflower*, another group made a consequential, if less than voluntary, landing on Virginia's shores. In August 1619 Rolfe recorded that a "Dutch man of war . . . sold us twenty negars." The first slaves had landed in what would become the American colonies.

But for another few decades, there was a far more cost-effective source of labor. The eventual rise of the British Empire tends to create the impression of an all-powerful England dating back to an even earlier era. But in 1620, the year of the *Mayflower*'s departure, significant elements of English society suffered from abject economic misery. One particularly chilling letter from the Virginia Company to the Lord Mayor of the City

of London sheds some light on these circumstances. In it, His Lordship was graciously thanked for sending over one hundred homeless children the previous year. The company then asked the mayor to "furnish us again with one hundred more for the next spring." As before, the company offered £3 for each child's transportation and 40 shillings for apparel. Predictably, some of the "ill-disposed" children were unwilling to go, but with the city "specially desirous to be disburdened" of these would-be vagabonds, permission from the King's "higher authority" was sought to "transport these children against their will" to Virginia.

For adults, inducements to go to the New World often came in the form of indentured servitude. In exchange for agreeing to be an indentured servant for a few years, usually seven, the servant would receive land of his own at the end of the period—each adult being a microventure of sorts. With land plentiful in Virginia, the opportunity to own land presented an element of potential freedom that made the risks and indignities of servitude worthwhile. There was another benefit: The expenses of the servant's transportation to and maintenance in the New World were underwritten by his or her master. In the first year after the collapse of the company, the 1625 population of Virginia stood at 1,227, of which 487 whites were recorded as servants. Additionally, many of the free whites would likely have been former servants freed from their indentures. At the same time, the Negro population had grown by natural birth to 23 from the day of the Dutch ship's arrival.

Yet conditions in Virginia initially favored indentured servitude for its growing tobacco trade. Part of the reason was the "appalling epidemiological environment" of the Chesapeake Bay: Its swampy tidewater was a hotbed of disease that killed both natives and whites with unpredictable ferocity. These conditions made slave ownership prohibitively expensive. To purchase a slave would have required an up-front allocation of capital, and as slaves were assets entitling their owner to a lifetime of labor, Dutch and Spanish traders priced them accordingly. But with the mortality rate high, the death of a slave was far costlier than the death of an indentured servant. If an indentured servant died, it was almost costless—indeed, if the servant had served out a few years of his term at the point of death, the early demise might even be highly profitable—the master had received years of labor without giving up any land, as he would have had to if the servant survived to the end of the term. Anchored by this morbid calculus, the demand side of the labor equation favored servitude.

Conversely, the supply side of the equation had two sets of geopolitical variables, also favoring servitude over slavery. The first was that with King James's death in 1625 and the transfer of power to his son Charles I, the political conditions in England entered a new period of volatility. Within twenty years, the English Civil Wars would end the monarchy, resulting in Charles's execution by beheading. As the political tensions escalated, there was no shortage of people willing to leave for America as indentured servants.

The other factor involved England's continental rivals. For the Dutch and Spanish slave traders who controlled the transatlantic trade at the time, there were far superior markets for the sale of slaves than the backwaters of Virginia. For one, the sugar plantations in both Spanish America and Portuguese Brazil required hundreds of thousands of slaves. Given the insatiable European demand for sugar, it made little sense for slave traders to undertake the additional time required to travel up the American coast to service a small, speculative market. A slave ship could make a round-trip between West Africa and Brazil in the same time it would take just to reach Virginia one way. Compounding this cost, the death rates on slave ships being what they were, such a lengthened journey would have imposed additional attrition on the human cargo before delivery. So unless England's America was prepared to spend considerably more per slave—which it didn't need to, given the availability of white servants—the slave market's perimeter rationally ended in the sugar islands of the Caribbean.

Indeed, one man so clearly understood the allure that servitude had for England's poor that he decided to build an entire colony on the premise. This ambition benefited from England's rising religious tensions. Contrary to the generally accepted version of events, weighted by the incomplete narrative of the Pilgrims' search for religious liberty, the monarchy often sought to appease sectional interests. Equally, it was the

fundamentalist Puritans and other conservative Protestants who took increasing offense at the young King Charles's conciliatory ways. For one, Charles, the nominal head of the Church of England, had married a French Catholic, Henrietta Maria of France, in the first year of his reign. A few years later, he granted the Catholic Cecilius Calvert, the second Lord Baltimore, twelve million acres touching the northern waters of the Chesapeake. Conceiving his colony to be populated by Catholics coming as indentured servants, Lord Baltimore named his vision Maryland, in honor of his benefactor's queen.

Soon Maryland and Virginia, blessed by the combination of Chesapeake soil and cost-effective labor, made dramatic gains in tobacco production. The 272,000 pounds of tobacco grown in 1631, the year before the founding of Maryland, became 15 million pounds by 1669.

But the economics of servitude shifted in favor of slavery. Of the tens of thousands of white settlers who arrived in the Chesapeake in the early seventeenth century, 75 percent came as servants. And as per the terms of their indentures, if they survived disease and overwork, they became landowners after a few years. In addition to the land granted by their masters, Maryland and Virginia for a time provided for an additional fifty acres to freedmen to encourage the overall growth of their colonies. The men went from destitution in the streets of London, through the interim step of serving their masters, to owning property in the New World. But there was only so much land. As the best land became more valuable, the generous terms of the earlier indentures made less sense. At the same time, the monarchy had been restored in England, with Charles II, the former king's son, assuming power. As political stability returned to England, the allure of overseas servitude diminished. In addition, as the tobacco country had spread farther up the Chesapeake and into the interior, mortality rates had noticeably decreased with improved immunity.

There was one additional, critical catalyst. By the late 1660s, a venture looking to establish England in the slave trade, had stalled. In 1672, seeing the trade in slaves as a vital English interest, King Charles II reorganized the venture as the Royal African Company of England and granted it a monopoly on the West African slave trade to the English colonies. In 1674 more slaves were imported into Virginia in one year than in the previous twenty-five years combined.

In the fifty years from the time when African slaves first landed in Virginia, the annual increase in their numbers had been minimal and sporadic. The year 1628 saw one hundred slaves arrive, but most years averaged around twenty or so. Along with natural increases through childbirth, the slave population numbered about two thousand in Virginia in 1670. By 1700 it would grow to sixteen thousand, composing one fourth of Virginia's population, soon to climb to far greater magnitude and proportion.

At the turn of the century, the composition and social structure of the southern colonies—factors that would divide the trajectory of slavery by geography—were becoming clearer.

THE EARLY OPPORTUNITIES in the New World that had once appealed to poor Englishmen, despite all risks, had limited attraction for the Dutch. Henry Hudson, an Englishman, was financed by the Dutch to explore America. In 1609, starting upstream from the island known to the Indians as Manna Hatta, he then claimed the areas and valleys on both sides of the river that he had sailed up for Holland. The wilds of this New Netherlands, however, failed to attract Dutch settlers in any numbers—the conditions in Holland were the most prosperous in the world. With the exception of the Pilgrims, few others wanted to leave. Conditions had turned so euphoric in the 1620s and '30s that, among other excesses, the Dutch took to speculation in tulips, where the most prized individual flower bulbs sold for the equivalent of an Amsterdam town house.

Therefore, by 1650 almost half of the settlers in the New Netherlands were not Dutch. As the Dutch were increasingly pressured by the growth of English settlements in their vicinity, the territory's governor desperately called for "homeless Polish, Lithuanian, Prussian, Jutlandish, or Flemish farmers" to help populate the Dutch possession—he knew better than to try to entice his own countrymen. It was too late. Without

firing a shot, a small English fleet of just three ships caused the surrender of the New Netherlands. In 1667, after a formal transfer, the New Netherlands took the name of King Charles's brother, the Duke of York. New York, having barely grown in population over a twenty-year period under the previous management, grew fourfold by 1700. Lack of prosperity at home, ironically, helped strengthen and populate the English colonies in America.

To accelerate the English hold in the Americas, King Charles II granted the area south of the Hudson River to two aristocrats, which through subsequent transactions transformed into New Jersey and Delaware. To William Penn, a wealthy member of the English gentry, who had converted to the Quaker faith, the King awarded 45,000 square miles of land to the west of the Delaware River. An area south of Virginia extending to the northern borders of the Spanish holding of Florida was granted to eight aristocrats in England, known as the Lords Proprietors. Carolina, anchored by its first settlement in Charles Town, rounded out the English portfolio in what would become America.

As New Jersey, Pennsylvania, and Carolina looked to attract settlers, their proprietors focused on two sets of incentives: religious indifference and generous land grants. The land granted had a quasi tax placed on it, known as a quitrent. For the proprietors of vast lands, receiving the income of the quitrents, along with making the remaining land more valuable as it became populated, was the basic business model. As it turned out, the least religiously tolerant and theologically most uniform place in English America was New England; rules of Sabbath and observation were codified in most local laws. Everyone else was primarily interested in the pursuit of money, and if that meant tolerance, so be it.

The Lords Proprietors of Carolina offered an especially unique incentive. For every family member brought over, the family was granted 150 acres. But the definition of family was a generous and loose one. Looking to populate Carolina from the English holdings in the Caribbean, the Lords Proprietors counted all Africans as members of their owner's family, entitling the owner to an additional 150 acres for each slave. By 1720 this catalyzing structure led to people of African descent becoming the majority of the colony—a condition that would hold for generations.

In the North, the offer of up to hundreds of acres of land attracted full families to the new colonies, a shift that was tied to the North developing the economic characteristics of self-sustaining farms and egalitarian villages. This had to do with geography and economics, not culture or morality. Unlike Virginia's tobacco, Carolina's rice, and the Caribbean's sugar, the lack of a single, scalable cash crop in the North didn't allow slavery to flourish when more profitable uses for slaves, a capital asset, were found in the South. However, the diversity had benefits. Along the rivers leading to the ocean, small economic hubs such as Boston, Philadelphia, and New York developed populations numbering into the several thousands, enabling urban occupations such as printing, trading, and banking.

The South was entirely different. Virginia and Maryland, powered by the international demand for tobacco, rapidly grew to levels of wealth far beyond that needed for sustenance. With success, the South's defining social and economic structure became not the village nor the small town but the plantation.

IT IS HARD to overstate tobacco's role in eighteenth-century America. In 1700 the total value of the American colonial exports to ports in England was £395,000; tobacco from Maryland and Virginia accounted for nearly 80 percent of this total. Fur, the next-largest export item, accounted for around 5 percent.

By this point, earlier generations of Virginians had amassed the largest parcels of farmable land for their families and, more important, waterfront access to rivers or Chesapeake Bay, which meant the ability to load tobacco directly onto trading vessels. The most prominent among such planters, Robert Carter, had accumulated 300,000 acres of tobacco lands along with hundreds of slaves. Other men, while not as successful, had scaled to collectively dominate tobacco production. Not only did the largest tobacco farmers achieve lower costs of production than the average small farmer, but their profits were often used to add more slaves. And unlike smaller operations with two or three slaves, which inhibited family formation, the largest operations enabled entire slave communities to develop and reproduce, with each new slave birth being a human dividend of sorts.

Predictably, with such concentration of wealth, the men who grew tobacco controlled Virginia politics. In 1705 the majority of men who owned over two thousand acres were justices or burgesses, the equivalent of legislators, land and power going hand in hand. As these men died, their property and slaves were left to their heirs. One generation into the eighteenth century, Virginia's most esteemed citizens composed a landed aristocracy. These men of vast inherited wealth rarely worked: The formula of hired overseers getting the most out of slaves and land was largely set. The men and women who did the most work inherited a less fortunate condition by birth. And this too presented a developing advantage. Unlike the African-born slave, the native-born slave had never known freedom or any identity that conflicted with his owner's economic purpose, with each subsequent generation further removed from all ancestral knowledge. And the slave too now had generations of his extended family living in bondage within close proximity, making any run to freedom an impossibly large sacrifice for most, familial bonds serving the role of invisible shackles.

For the southern gentleman, inversely, ease of living by birthright became his hallmark. "In their hospitality, drinking, gaming, horse racing, and dancing," wrote Joseph Robert in *The Story of Tobacco in America*, was a "hedonism" intrinsic to the nature of growing a vice such as tobacco. Unlike a prudish New England town or a Quaker community egalitarian in spirit, the South was a place where the distinction between those at the very top and those at the very bottom was easy to see. The exalted had family crests imprinted on their china, the dark and lowly had no legal right to a family, and poor whites without slaves were masters of little but themselves. From this hierarchical society came many of the architects of American liberty.

But all this decadence had disadvantages. Much like the modern oil state that fails to develop any other economic capacity, single-commodity Virginia was highly susceptible to the overseas price of tobacco. As the revenue from tobacco sustained the high forms of living, one way to smooth out temporary price drops was to borrow against future crops. To Robert, "the tobacco planter had in him enough of the frontiersman to be incurably optimistic, and enough of the English landed gentry to desire a high standard of living. The combination meant piling on debt." The Virginia gentleman without significant debts was a rarity.

The enabler was often a London-based factor. The factor was a combination of a trader and an agent. The wealthy tobacco planter sent his tobacco to his factor in England; the factor sold the tobacco and then usually arranged to pay for the English luxury goods that were needed for good living: wine, books, tailored clothing, linens, furnishings, and china. When the tobacco crop or prices in the market were insufficient, the factor advanced money against future crop harvests at an appropriate rate of interest. To the factor, the system had the advantage of keeping the gentleman planter, no matter how wealthy or powerful, captive to both the relationship and the prices of his next year's crop. Even the two most famous Virginians in history, George Washington and Thomas Jefferson, would not escape the clutches of their factors.

This dependency on overseas factors seems to have had its roots in the geographic features of Virginia. As Chesapeake Bay offered hundreds of inlets, large plantations with water access directly loaded tobacco onto ships headed for distant ports. As a result, Virginia never developed the central port of call or commodity market that it would have had if this trade had been centralized in a single place; such a port would have easily emerged as the largest financial center in eighteenth-century America based on the trading volume. In the 1760s Virginia's largest port, in Hampton, handled a minor fraction of the tobacco exports flowing out of Virginia and Maryland, even though the port was close to the mouth of Chesapeake Bay. Despite controlling access to the Atlantic Ocean for both Maryland and itself, Virginia failed to build any lasting economic competency or significant urban center on the Chesapeake.

Thus Virginia ceded the vital functions of shipping and trade finance to cities in the North. Functions for trading hubs required the type of work known today as white collar: coordinating logistics, arranging for insurance, negotiating trade terms, extending trade capital, maintaining

wholesale facilities, and others. Trading spawned other activity. Trading ports were the prime conduits of information, the aggregate of which Adam Smith would call the "invisible hand" of the market: information used by entrepreneurs and businessmen to adjust their activity to maximize profit. The more dynamic the information flow, the more fluid the opportunities were to profit from the shifting tides of the market. The more fluid the opportunities, the easier it was for new entrants and upstarts to make a name. Eventually this would lead to a far wider and greater set of urban opportunities in the North than in the single-crop colonies of the South.

In the present, however, the South dominated economically. In 1765, Virginia and Maryland's tobacco, along with Carolina's rice, combined to represent 80 percent of American exports. Leading up to the American Revolution, South Carolina by itself exported more in terms of pounds sterling than all the northern colonies combined. The South Carolina of 1770, it must be noted, while having far fewer than Virginia's 187,000 slaves, was a majority slave colony: 75,000 of its total population of 125,000 had masters. And Virginia had more blacks than the state of New York had whites. As such, the numbers were startling and undeniable: On the eve of liberty, the majority of American exports, decades before cotton entered the equation, were produced by slave labor.

Yet it was Virginia's soil that proved to be fertile ground for new ideas on freedom and governance, supplying many of the intellectual foundations, as well as the great contradictions, of the American experiment.