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The rise and fall of America's first bank

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The Rise and Fall of America's First Bank

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Abstract

In 1686 the leadership of Massachusetts was involved in the first operational bank scheme in America. In 1688 this note-issuing bank was mysteriously aborted at an advanced stage. It was a unique opportunity for financial development that did not arise again for decades. I suggest a new, simple explanation of the bank's demise: The bank's notes were supposed to be backed mostly by private land in Massachusetts, but the new royal governor invalidated *all* the land titles. As in contemporary England, absolutism's disrespect of property rights prevented financial development.

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> After showing him an Indian deed for land, he said that their hand was no more worth than a scratch with a bear's paw, undervaluing all my titles, though everyway legal under our former charter government.
>
> Joseph Lynde (1690)[1]

1. Introduction

The relation between the form of government and economic development is one of the most important topics in economics. Consider the specific issue of how an absolutist government might affect investment. On the one hand it is argued that absolutism discourages investment because of its disrespect for property rights (North and Weingast, 1989). On the other hand it is argued that some investments might take place only by an absolutist leader who can expropriate all the profits (e.g., Greif, 1994).

Perhaps the last place on Earth where one would expect to find either of these two effects of absolutism is Massachusetts. I show that *both* effects did exist there in the 1680s under the royal Dominion of New England. Moreover, both effects operated – back to back – on the *same* financial institution, known as John Blackwell's bank. This "private" bank scheme rose dramatically thanks to a new absolutist government whose leaders also led the bank. The appointment of a new head to that government completely reversed the bank's fortunes. It was doomed not for passive lack of support from the new governor, but for the same reason that bank schemes repeatedly failed to materialize in England. The Stuart-appointed governor showed the same infamous Stuart disrespect for

[1] All spelling is modernized. From Massachusetts Archives (henceforth MA) 35:169, reprinted in Whitmore (1868), vol. I, p. 90.

property rights by invalidating all the land titles in Massachusetts – the same land titles that were supposed to back the bank's notes.

While the bank's rise has been accurately linked to the personal involvement of the government leaders in the bank (Lewis, 1967), the possibility that the invalidation of land titles killed that land bank has never been raised. The timeline supports this hypothesis. The governor had informed the colonists for more than a year that their titles were defective. He was formally passive, acted behind the scenes, and patiently tried to educate them. During that time the bank scheme continued in its progress. The bank was aborted four days after the governor suddenly switched to active criminal prosecution of land owners who did not fix their titles to his liking.

One contribution of this paper is a solution to one of the oldest puzzles of American banking, one that has intrigued most scholars of the early American economy. A broader contribution is to the debate regarding absolutism and economic activity. The adverse effect of Stuart absolutism on financial development, famously shown in North and Weingast (1989), has been challenged by claims that things were not that bad before the Glorious Revolution, or not that good after it[2]. I show that a bank which grew under different circumstances from those of Stuart England collapsed as soon as the circumstances became too similar to those of Stuart England.

I start with background on the problems of English banking under the Stuarts (Section 2) and on the Massachusetts economy in the 1680s (Section 3). I then discuss the rise of the bank (Section 4), the new land policy (Section 5), and the bank's fall (Section 6). Using the facts presented in Sections 3-6, I show in Section 7 why existing explanations of the bank's demise are incomplete at best. Section 8 concludes.

[2] E.g., Clark (1996), Epstein (2000), Sussman and Yafeh (2006).

2. Absolutism and Banking in England

In the seventeenth century, as continental Europeans deposited their specie in public banks, the English people were busy *hiding* their money from their government. The Stuarts raised revenue without Parliament's approval and thus undermined property rights. They used forced loans whose terms were not honored, taxes according to ancient prerogative rights, and sale of monopoly rights which ruined competitors' investments.

Most importantly, Charles I confiscated £100,000 of merchants' deposits from the Tower of London. The merchants started keeping their specie at home and later deposited it with goldsmiths[3]. In the following decades, leading bank promoters, political theorists, merchants, and political advisors, told Cromwell and later Charles II that rich men would not join a bank because it would be unsafe under a monarch: The traumatic Tower confiscation "sticks in the memory of most merchants ... the thing will never be forgot."[4] Deposits with goldsmiths did not protect the merchants either. Repayment of their huge loans to the king were suspended in the infamous Stop of the Exchequer (1672) – the "greatest invasion of property." Leading goldsmiths and many customers went bankrupt. Much of the million pound debt was not returned for decades[5].

Only after installing a Dutch prince and Parliamentary rule in the Glorious Revolution, large joint-stock banks finally had a chance to replace the simple goldsmith-banker. The Bank of England was made private partly in order to disassociate it with the king. The

[3] North and Weingast, pp. 810-2, 819-20, Macleod (1896), vol. II, p. 1.

[4] Horsefield (1960), pp. 99-100, Dickson (1967), p. 56, Pepys (1666), 17 August, Beresford (1925), p. 211.

[5] Macleod (1896), vol. II, p. 4, Feavearyear (1963), p. 111, Jones (1994), p. 73.

Bank's existence was also a guarantee against a Stuart comeback: Which depositor would support another tyrant who would inevitably confiscate the Bank's money one day[6]?

3. The Massachusetts Economy

In 1675 the thriving Massachusetts economy began to crumble[7]. King Philip's War with neighboring Natives resulted in large losses in capital and labor force, put the colony in debt, and eliminated fur trade. The king attacked the colony's charter, and the countering lobbying effort drained the treasury. The colony was forced to enforce the mercantile Navigation Acts and honor the royal prerogative (i.e., close its mint). Peace with Holland ended privateering as a source of specie. Thus, the specie supply hit an all-time low[8]. There were only two financial institutions: The Corporation for the Propagation of the Gospel in New England was a missionary company whose spare (English) funds were loaned to New England individuals[9]; a private clearinghouse operated from 1681-1683.[10]

The only promising sector was real estate[11]. Natives' last enclaves in New England were gone, leading to land speculation: Obtaining cheap titles to large tracts of unimproved land, in the hope of selling them when colonial expansion would raise the land's value. Ignoring the religious objection to speculative gains, leading colonists

[6] Beresford, pp. 211-2, Dickson, pp. 55-6, Horsefield, p. 96, North and Weingast, pp. 826-7, Feavearyear, p. 111.

[7] For details see Lewis, pp. 91, 186-9, Barnes (1923), p. 63.

[8] One town even paid its taxes in milk (MA 126:214a).

[9] Winship (1920), New England Company Manuscripts #7946 (London City Guildhall), April 1685.

[10] Davis (1901, 1904, 1910). Davis also compares it with the bank which is the main topic of this paper.

[11] The following four paragraphs are based on Lewis (1967), ch. VII, Lewis (1974), and Barnes, ch. VIII.

devoted their time to accumulating real estate and showing off[12]. Recent non-Puritan immigrants joined the trend. The speculators had a legal problem, due to conflicting titles given by the ancient Council of New England, the Crown, colonial governments and towns, and Natives. The speculators needed to control the governments and courts in order to win their cases, but the non-Puritans were ineligible for office. Inter-colonial border disputes necessitated control of the entire area.

The royal attack on the Massachusetts charter was a golden opportunity. Chief speculator, Anglican Richard Wharton, orchestrated the dismantling of the charter regime and the creation of a consolidated Dominion of New England. His success turned land speculation into a gold rush, involving much of the local elite. They hoped that a royal governor would confirm their titles or at least let them control local courts. Earlier constitutional changes in England did result in massive changes in land ownership[13].

Land rights were a bargaining chip in the battle of the charter. The colony's English nemesis, Edward Randolph, claimed that by violating the charter the colonists had lost right to both land and government. He then repeatedly recommended the king to promise protection of property rights under the new regime[14]. The king did make a general

[12] Dunn (1960).

[13] Henry VIII seized all monastery lands. A fifth of English land changed hands from Royalists to Parliamentarians and back after the Civil War and Restoration, respectively (Clark [1996], pp. 565-6).

[14] PRO CO 1/44 #61, Sainsbury and Fortescue (1896) #357, CO 1/46 #123, 130, CO 391/4 pp. 174-5. For a similar tactic in Connecticut see Trumbull and Hoadly (1859), vol. III, p. 353.

promise in 1683, but the colonists were still agitated about it as late as 1686.[15] Observing the abuses to land titles committed in proprietary New Hampshire[16], Massachusetts confirmed the titles that it and the towns had given, effectively sealing them ex-post. Towns and individuals also obtained from Natives back-up deeds or testimonies about old deeds. The General Court's very last act before expiring in 1686 was to secure papers "such as refer to our title of our land, by purchase of Indians or otherwise."[17]

4. The Rise of the Bank

In 1684 Englishman Captain John Blackwell fled religious persecution and settled in Boston[18]. He was an expert on land, specializing in its trade, management and appraisal. Since he was Cromwell's Treasurer of Army and son-in-law of a Cromwellian colonel, he was popular in Massachusetts. He was granted land and was almost elected to office. He brought a bank scheme that he and others tried in England[19], but put it on hold until the political uncertainty cleared. Until May 1686 it was unclear what regime would replace the charter[20]. Blackwell befriended the local elite, joining two speculative land

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[15] PRO CO 1/54 #92, CO 5/904 p. 185, Hutchinson, (1865 [1769]), vol. II, p. 284, CO 5/904 pp. 332-5. Earlier the king seized land to which he had an old title (Brodhead, 1853, vol. III, pp. 55-6, Palfrey, 1859, vol. II, p. 603), and threatened to seize a county if the colony disobeyed his requests (Lewis, pp. 94-5).

[16] Lewis, ch. V, discusses the New Hampshire case in detail and how it affected Massachusetts.

[17] Shurtleff (1854), vol. V, pp. 470-3, 516, Fortescue (1901), #181, MA 116:62-7. Connecticut also disposed of most of its vacant land (see Trumbull and Hoadly, vol. III, pp. 176-80, 217, 224-5, 228, 233-4).

[18] Hutchinson (1936 [1765]), vol. I, p. 293n, Massachusetts Historical Society [henceforth MHS] Collections (1868), pp. 60-1. For biographical details see Dorfman (1946), pp. 96-7, Nuttall (1964), MHS Proceedings (1899), pp. 4-26.

[19] The relation between the Boston bank and that fishing company's bank is proved in Horsefield (1966).

[20] Sewall, pp. 87-136.

ventures led by Joseph Dudley and William Stoughton[21]. These former magistrates were expected to lead the new regime due to their active or passive contribution to the end of charter rule[22].

In May 1686 the Dominion of New England was established[23]. Its Council had all the legislative, executive, and judicial authority. The Councilors were of the local elite, with Dudley serving as President until the arrival of a Governor, and Stoughton serving as Deputy-President and Chief Judge[24]. The local Council headed by a late governor's son was supposed to ease on the anxious Puritans the transition from autonomy to royal submission[25]. According to Lewis (1967, 1974), most of the Councilors joined the absolutist regime only to influence their titles.

In June the Council formed a grand and standing committee of merchants, chaired by Blackwell, to try to end the recession[26]. In July Blackwell proposed his bank scheme to the Council, which referred it to Blackwell's own committee. Shortly thereafter it was known that Sir Edmund Andros would be Governor. Massachusetts and especially Connecticut had border disputes and other conflicts with him when he governed New

[21] Suffolk Deeds XIV, pp. 195-202, PRO CO 5/856, #158XXIX, MHS Jeffries Papers, vol. 4, #111, 118.

[22] Sewall, 93, 107, 123-4, MHS Proceedings (1880), pp. 254-5, Barnes, pp. 24-5, Lewis, p. 131.

[23] See Table 1 for a timeline of events during the Dominion period.

[24] PRO CO 5/904, pp. 252-8, Toppan (1899a), p. 231, Kimball (1911), p. 31.

[25] This followed a New Hampshire precedent. PRO CO 1/46, #123, 130, CO 5/904, p. 250, Hutchinson (1865 [1769]) II, p. 284, Goodrick (1909), vol. VI, p. 206.

[26] Toppan (1899a), pp. 248-9.

York (1674-1680)[27], but this had been long ago. For all they knew[28] they had no special reason to fear him. The local elite continued its land speculation[29]. In September the Council approved the committee's positive report on the bank, and made its prospective banknotes legal tender for all payments[30]. Later, in 1687, the bank's directors would be revealed as Blackwell, Dudley, Stoughton, and Councilor Wait Winthrop (another major land speculator). All the other bank officers were also large landowners. Two of them were also senior members in Blackwell's committee[31]. Perhaps the bank was approved in 1686 because the government leaders had already had a stake in it, or the approval was implicitly conditional on the appointment of government leaders to key bank positions. Either way, as Lewis (1967, pp. 191-2) noted, there were symbiotic relations between the absolutist government, the advising committee, and the "private" bank.

The bank was supposed to issue notes to relieve the lack of specie[32]. People would get a loan of banknotes in return for mortgaged assets. The bank's partners and others were supposed to agree voluntarily to accept the notes in trade. Convertibility of notes into land was only implicit: Defaulting borrowers would have lost their mortgaged assets;

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[27] PRO CO 391/2, pp. 233-4, Dunn, pp. 182-4, 207, Lewis, p. 197, Trumbull and Hoadly, vol. III, pp. 283-4, 313-4, Brodhead (1853), vol. III, pp. 254-6, 266.

[28] He secretly sabotaged sale, by the speculative Atherton company, of land claimed by the king (MHS Collections [1889], p. 469, PRO CO 5/903, pp. 308-9, Lewis, p. 174 [n. 20]). His successor in New York was not more friendly (Trumbull and Hoadly, vol. III, pp. 326-33).

[29] MA 126:30-1, 138-54.

[30] Toppan (1899a), p. 272, MA 126:103-7, Sewall, p. 148.

[31] Toppan (1899a), pp. 248-9, MA 127:66, 69.

[32] The bank prospectuses are in Davis (1910), vol. I, pp. 121-46, 153-87.

then proceeds of the assets' sale would be available for note redemption. The bank was first and foremost based on land, with goods being secondary. The prospectuses mention "lands of good title mortgaged; and staple un-perishable goods & merchandizes deposited." They give three examples of how banknotes may start circulating: First, a land-owner mortgaging his land; second, a mine-owner mortgaging his mine and later also depositing the mine's produce; and third, a producer of manufactures mortgaging his workshop or his produce[33]. The attractiveness of land over goods was obvious. Land is durable and hard to steal and titles are easy to store. In America in particular land was more abundant than anything else[34]. It was recognized that only after landowners got currency they could hire labor and buy tools and start production on their land. Only later they could deposit goods in the bank instead of land.

If it were truly private, the bank could earn money only from interest on loans, limited by usury laws and competition. However, with its leaders also leading the absolutist government, the expected profit was much higher. The government could make more land mortgagable by resolving legal disputes and by customarily granting public land to its leaders. It could disallow competing banks and the reopening of the mint[35]. The legal tender status – highly unusual for private notes – would help them circulate as currency. As in Grief (1994), a particular project was more likely to succeed if led by an absolutist government, and it was actually good for the economy.

[33] Davis (1910), vol. I, pp. 126-9.

[34] Sumner (1896), pp. 2-3.

[35] Toppan (1899a), p. 244.

5. The Andros Land Policy

In December 1686 Andros arrived. His commission left the Council intact and Dudley became his deputy. Dudley and Stoughton headed the superior court[36]. Andros was ordered to demand quitrents for all grants of land "yet undisposed of." While marriages performed according to local, rather than English, law, got a blanket confirmation in the commission, land contracts did not enjoy such protection. Quite the contrary, Andros's secret instructions mentioned that *some* land titles needed his confirmation[37]. He ruled that *all* land titles needed his confirmation, and were completely invalid otherwise.

5.1. Unimproved Land

The speculators hoped that Andros would confirm their inter-colonial titles. In February 1687 he frustrated the Atherton company's claims by referring the matter to England and prohibiting the speculators from abusing their control of local courts. Later he recommended England not to recognize the speculators' claims. Councilor Wharton, an Atherton leader, also claimed another territory. Andros recommended against this one as well[38], so Wharton sailed to England to lobby for Andros's removal[39]. Wharton was related by both marriage and business to both Dudley and the Winthrop brothers Wait and Fitz-John, who were also councilors and Atherton shareholders. Fitz-John was Andros's old friend and appointee as military commander[40]. They were surprised by Andros's policy. Andros was also instructed to make a recommendation on another

[36] CO 5/904, p. 352.

[37] PRO CO 5/904, pp. 270-96. On the instructions' secrecy see MHSC (1892), p. 18.

[38] Toppan (1899b), p. 253, PRO CO 1/63 #21iv-v, CO 5/904, p. 292, Lewis (1974), pp. 264-7.

[39] Lewis (1967), p. 267, Sewall, pp. 182.

[40] Barnes (1925). On the Winthrops, see Dunn, pp. 203, 209, 241-3, MHSC (1899), pp. 469-92.

speculative venture, involving Wharton, Dudley, Stoughton, several other councilors, and Blackwell as a senior partner. They chose not to pursue it as long as Andros was in power[41]. In 1687 Dudley and Stoughton did get a confirmation of another title they held with Blackwell, while apparently hiding his involvement from Andros[42].

5.2. Improved Land

In early 1687 Andros started telling people that even titles to local, improved land were defective according to English law. Every landowner was required to ask for a warrant to survey the land he claimed as his, and later apply for a confirmation that the land belonged to him. Andros had several arguments: First, the land originally belonged to the Crown because it was claimed for him in the 1490s by explorer Sebastian Cabot; second, "wherever an Englishman sets his foot all that he has is the king's;" third, Native deeds were worthless (see the opening quote of this paper); fourth, although the Crown gave the land to the colony, the land reverted to him once the charter was revoked: "The calf died in the cow's belly." There were also techincal defects: The General Court did not use its seal in its grants; and grants from towns to individuals were invalid because these so-called towns were not incorporated[43].

[41] PRO CO 5/904, p. 292, CO 5/855 #90 (p. 403).

[42] PRO CO 1/66 #159, Lewis (1967), p. 266, Toppan (1900), p. 487, Suffolk Deeds XIV, pp. 195-202.

[43] Whitmore I, pp. 38-9, 49, 87-93, 99, Whitmore (1874), vol. III, p. 21, Hutchinson (1936 [1765]) I, p. 305, Kimball, p. 49.

Andros did not put his comprehensive anti-land policy into law and made no public announcement[44]. He spread rumors about it and encouraged loyal supporters to lead the colonists by example and apply for confirmation of their improved land. In June 1687 he signed his first survey warrant, to the benefit of Simon Lynde. Lynde was an Atherton partner, a bank officer, and Andros's nominee to fill a Council vacancy[45]. Dudley followed with applying for surveys of lands he held alone or with Stoughton[46]. More than a hundred surveys were ordered by July 1688, some of which were for other councilors and their relatives. Most were followed by applications to confirm titles[47].

5.3. Common Land

The towns kept some of their land in common, i.e., they could be used by all residents for pasture. Andros did not recognize common lands: Since they did not belong to any individual or corporation, they were up for grabs. He incited his cronies to apply for such lands, resulting in a beggar-thy-neighbors gold rush. The colonists organized legal defense in town meetings so he outlawed meetings and imposed high legal fees[48].

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[44] His commission ordered him to send Council decisions to England and maybe he wanted to avoid that. The closest thing is an act forbidding *future* deals with Natives and *future* settling of unsettled land that had been purchased from Natives (Trumbull and Hoadly [1859], vol. III, pp. 422-3).

[45] Tuttle (1919), p. 294, MA 2:137, 126:357, 360, 127:69, PRO CO 5/904, p. 347.

[46] Tuttle, pp. 298, 313-4, Toppan (1900), pp. 487-8, PRO CO 5/904, p. 347.

[47] Tuttle, passim.

[48] Tuttle, pp. 296-9, 335-7, Toppan (1900), pp. 491-2, Whitmore I, pp. 50, 99-101, 141, 143, Sewall, pp. 199, 206, Hall , Leder, and Kammen (1964), pp. 56-7, MA 127:172-8, 128 *passim*, Trumbull and Hoadly, vol. III, pp. 427-9, Barnes, pp. 195-8, Lewis, pp. 258-9.

5.4. Holy Land

Andros invaded a church and forced the Puritans to share it with the few Anglicans. He threatened to seize all other churches[49] and later pressured colonists to sell land to the government for building an Anglican church[50]. He ordered the Anglican minister to participate in Harvard's commencement, thus lending credibility to a factually-based rumor that the Puritan college might be turned into an Anglican one[51].

5.5. Robert Mason's Claims

Councilor Robert Mason was the New Hampshire proprietor and he also claimed Massachusetts' Essex County. Andros enforced an old ruling on a New Hampshire land case in his favor and made his men militia officers in Essex. A tax revolt erupted there shortly thereafter, perhaps reflecting fear for Essex titles. The emboldened Mason then sued more New Hampshire landowners, some of whom lived in Massachusetts[52].

5.6. The Colonists' General Response

Andros's total attack left the colonists in disbelief. Based on English precedents they did consider Natives to be humans capable of selling land[53]. Their possession and improvement of the land for half a century should have been sufficient to overcome

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[49] Sewall, pp. 162, 171, Whitmore (1869), vol. II, p. 45, Toppan (1899b), p. 264, Lewis, pp. 216-7.

[50] Sewall, pp. 207, 210.

[51] Governor Cranfield of New Hampshire proposed it. Sewall, p. 181, PRO CO 1/65 #52i, 1/52 #19.

[52] Toppan (1900), p. 473, Lewis, pp. 228-9, Sewall, p. 187.

[53] Whitmore I, pp. 90, 123. For colonial and English general view of Natives' rights, see Sewall, p. 21, Hutchinson (1936 [1765]) I, p. 216, Prince Papers #30 at MHS. Andros himself was instructed to buy Native land for the king (PRO CO 5/904, p. 292) but it was a secret (MHSC [1892], p. 18, CO 5/855 #90).

technical defects, but Andros – following a clear Stuart precedent – disagreed[54]. Their ex-post sealing of grants was ignored by Andros since this was done after the charter was revoked and the General Court no longer existed legally. They tried in vain to get the technical defects fixed in a blanket royal confirmation (as would be done in 1691)[55]. The king's recent Declaration of Indulgence did promise safety of property, but Andros seemed to have interpreted it as protecting only valid titles.

The land policy reduced land value in three ways. First, any unconfirmed plot could have been grabbed by another. Second, the legal fees were very high and landowners had to pay a separate fee per county[56]. Third, Andros's commission ordered him to charge an infinite stream of quitrents on land undisposed of, and his policy implied that all unconfirmed land was legally undisposed of[57].

Fearing for the common lands, the churches, and Harvard, the Puritan ministers decided to ask the king for freedom of religion and safety of property. The messenger was Harvard President Increase Mather. Just before leaving for England, Andros arrested him on bogus charges, combining the Staurt tradition of using the legal system to persecute the opposition with the tactic of New Hampshire's tyrant of blocking the

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[54] Hutchinson (1936 [1765]), vol. I, p. 305, Whitmore I, pp. 95-6. This is how Charles I treated long-time invaders to the royal forests (Gregg, 1984, pp. 224-6).

[55] Whitmore I, pp. 143-4.

[56] Whitmore I, pp. 92, 98-100, 143, 205.

[57] PRO CO 5/904, p. 279, Whitmore I, p. 143. His secret instructions distinguished undisposed land from unconfirmed land (CO 5/904, p. 288) but the colonists did not know that (MHSC [1892], p. 18). He was ordered to "protect the king's interest" in unconfirmed land, which normally meant quitrents (Barnes, pp. 174-7, Bond [1912], p. 499).

opposition's access to England[58]. A week later, bank officer John Saffin wrote to Plymouth's late governor about the land problems. The entire letter is written in code out of fear that it would be intercepted by Andros[59]. Andros even tried to enact restrictions on anyone's freedom to leave for England[60]. Mather was exonerated and quickly escaped to England under the noses of officials who tried to re-arrest him[61].

5.7. The Bank Continues

The land policy was gradually revealed between February and July 1687. From then until the middle of 1688 they resulted in many petitions, warrants, and lawsuits. Formally, Andros only ruled on cases brought before him. Behind the scenes he induced applications and a run on the common lands. He even dropped by people's homes to teach them about his policy. Perhaps this tactic was meant to prevent a revolution[62]. Indeed, the colonists did not understand the crisis quickly. Diarist Samuel Sewall reported on the arrival and publication of the Declaration of Indulgence in May and August 1687, respectively. He did not mention the Declaration's guarantee of safety of property[63], but in October 1687 both Plymouth and Mather utilized it when petitioning the king[64]. As late as April 1688 Sewall casually took possession of land he had bought,

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[58] Sewall, pp. 197-8, Mather (1723), pp. 102-6, North and Weingast, p. 816, Lewis, pp. 116-7, 128.

[59] MHSC (1861), pp. 187-9.

[60] Whitmore I, pp. 141-2.

[61] Sewall, p. 209, Mather (1723), pp. 106-8.

[62] Barnes (p. 188). On tactics see Whitmore I, pp. 87-91, MA 35:186. On colonial anxiety before and after Andros's arrival see Goodrick (1909), vol. VI, p. 206, and MHSC (1861), p. 177, respectively.

[63] Sewall, pp. 177, 186, MHSC (1886), pp. 51-2.

[64] MHSC (1861), pp. 167-9, 177-9, MHSC (1886), p. 56n, MHSC (1868), pp. 697-8, PRO CO 1/65 #52.

with no special concerns or precautions[65]. The colonists were perhaps deluded about their control over the legal system and London decisions. At home, Dudley was Chief Judge and heard appeals. In October 1687 the colonists learned that the local Sir William Phips was to be the Dominion's Provost Marshal (chief law enforcer)[66]. They eagerly awaited his arrival from England. They also thought that Wharton, the Dominion's mastermind, was powerful enough to reverse the land policy. In 1688 the Lords of Trade recommended the king to rule in his favor so he sent optimistic letters home[67].

Andros's gradual tactic and the colonists' delusions help explaining why the bank was kept alive. The ruling on speculative lands was disappointing but not new (the Atherton scheme had been on hold since 1659). The attacked Harvard and the church were not mortgageable anyway. The attack on the common lands could actually turn public, non-mortgageable land into private, mortgageable one, and that was good for the bank. Even in late 1687, mostly cronies applied to confirm land titles, with little or no fees. No steps were taken yet against those who did not apply[68].

The bank scheme moved forward[69]. In April 1687 the bank's constitution was adopted. In June the bank's rules were set and in September former magistrate Elisha Cooke became an officer. On December 2nd there was a meeting. Davis, the leading scholar of Massachusetts banking, thinks they tried to make Andros a partner[70]. On that

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[65] Sewall, p. 208.

[66] Sewall, p. 192.

[67] PRO CO 5/905, pp. 1-2, 8-9. MHSC (1892), pp. 9-16.

[68] Tuttle, pp. 292, 294-313.

[69] The documents mentioned below are in MA 127:66-69, 129:55-62, Davis (1910), vol. I, pp. 123-183.

[70] Davis (1901), vol. II, p. 81, Davis (1907).

day, bank officer Elisha Hutchinson sailed to London to join Wharton. He was also a senior Atherton partner and Andros had ignored his two requests to confirm his land. He saw where this was heading, having lost his Maine land to the same kind of policy a year earlier[71]. The last exactly dated sign of life from the bank is a document dated January 5th, 1688. Blackwell wrote a prospectus sometime in 1687 and a very similar one was published in London sometime in 1688.

6. The Showdown and the Bank's End

In April 1688 news had arrived that James II was expecting a baby. The chance for a future Catholic son and heir was seen as such a fundamental increase in James's grip on power, that its realization triggered the Glorious Revolution. It indirectly strengthened the James-appointed Andros as well. Andros ordered a Thanksgiving for the pregnancy but the Puritans barely obeyed[72]. By June 20th, 1688, it was known that a new commission for Andros was on its way. At the very least, it became common knowledge that New York would be added to the Dominion[73]. This was an implicit approval of Andros's reign and a hint that the London lobbyists failed. He could now apply his land policy to more territories. Andros had to be emboldened by these developments, and apparently he decided to take the land war to a new level.

On June 20th Stoughton suddenly applied for the first time to survey lands he held without Dudley[74]. Perhaps he was warned of what was about to come. Two days later

[71] MA 126:342a, 127:18a, 69, 100:389, Sewall, p. 196. In Maine, which belonged to New York, he lost his land to John West, who would soon be the architect of Andros's land policy (Thayer [1890], p. 285).

[72] Trumbull and Hoadly, vol. III, p. 443, Sewall, p. 211.

[73] Trumbull and Hoadly, vol. III, p. 446.

[74] MA 128:272.

Andros decided that Anglicans would always use the forcibly-shared church before the Puritans. That day and the next one, a heated debate erupted between him and the church leaders. Andros cursed and lost his temper like never before[75]. On June 25th Dudley ruled on a land case based on an old Native deed[76], in spite of Andros's dismissal of such deeds. Sometime between July 1st and 4th, bank director Wait Winthrop testifies on the general anxiety over land, but also tells that he is "very desirous" to see certain ships coming from England because Wharton's letters "give me great hope of a general confirmation from his Majsety of all lands according to former usage[77]." On July 5th the ship he mostly expected did arrive, but with Andros's new commission. Although it was not formally published yet, at least the local elite immediately knew the main points: Andros got New York and the Jerseys, Dudley was ousted as Andros's deputy and Chief Judge, the land policy was not rebuked, and the articles concerning land did not change[78]. The next day warrants were issued to survey ten pieces of Councilor Samuel Shrimpton's property. It was his first ever move to get his titles confirmed[79]. He may have saw what was coming. On July 10th someone mentioned a letter, related to Blackwell, which hinted of a possible blanket confirmation of titles[80].

6.1. Sewall's Troubles

[75] Sewall, pp. 217-9.

[76] MA 128:291-2. In May a Connecticut judge did the same (Trumbull and Hoadly, vol. III, pp. 444-5).

[77] MHSC (1882), p. 484. Wharton's letters are in MHSC (1892), pp. 9-17.

[78] Sewall, p. 219, MHSC (1868), p. 671, PRO CO 5/904, pp. 381-404.

[79] Tuttle, pp. 352-3.

[80] MHSC (1868), pp. 364-5.

The colonists had procrastinated for a year on petitions to title confirmations. The high fees were a good excuse, but the colonists also hoped that the three lobbyists in London would succeed in removing Andros or his land policy. Andros did not want to lose by attrition, as Mason did[81], so on July 12th, 1688, he issued five writs of intrusion[82]. These rarely used writs stated that their recipients had illegally possessed the king's land, and they had to respond to the accusation in court[83].

Writs were issued to Sewall, Joseph Lynde, Shrimpton, and James Russell[84]. They were among the richest landholders and had land disputes with Andros. Sewall had recently represented the invaded Puritan church and refused to sell his land for an Anglican church[85]. Joseph Lynde (unrelated to Simon Lynde) had earlier applied for all his lands together but withdrew when asked to pay a separate fee for each county he had land in[86]. Shrimpton and Russell were senior members of Blackwell's inactive trade committee and officers in his bank. Whereas Russell had been treasurer of the late charter government, Shrimpton was a bitter enemy of that government and the Anglicans' best Puritan friend in Boston. Russell had fought Andros over his own land, which had been part of the Charleston commons until 1685. Shrimpton, the richest man in Boston, did apply to confirm many *other* titles shortly beforehand[87]. Sewall, Russell, and Shrimpton

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[81] PRO CO 1/58 #37.

[82] Whitmore I, p. 92, Sewall, pp. 219-20, MHSC (1892), pp. 9-16, Barnes, pp. 199, 203, Lewis, pp. 261-2.

[83] On writs of intrusion in general see Burrill (1850), Part I, p. 332, Baker (1990), pp. 63-9, 268-70, 312-3.

[84] Whitmore I, p. 92. Another was issued to an unknown Rhode Island man (PRO CO 5/855 #90).

[85] Sewall, pp. 207, 217-8.

[86] Whitmore I, vol. I, p. 92, MA 126:282.

[87] MA 127:37-8, 66-9, Toppan (1899a), pp. 248-9, Whitmore I, pp. 97-8, Lewis, pp. 432-3..

had been nominated by Dudley in 1686 as substitute councilors. Andros renominated Russell and Shrimpton, and Shrimpton's nomination was approved and materialized in early 1688.[88] As Dunn (1960, p. 250) argues, they were chosen as a representative sample of the elite. While Andros did not forgive troublemakers, he did not play favors either. His attorney-general said that all the rich would be targeted for all their lands[89]. Targeting those who could afford to pay fees was another Stuart tradition[90].

This development shocked the colonists. One wrote "Some in power have said that it is not for the King's Interest that this People should enjoy it [the land], & if another People had it would be more for the King's Interest than now[91]." Diarist Sewall was a very cool-headed businessman, but he panicked like never before once he was labeled one of "violent intruders into the King's Possession." The next day he rushed to the land mentioned in his writ, not knowing how to deal with this "unexpected Assault." The following day he sent letters "under covert" to the lobbyists in London – Wharton, Mather, and Hutchinson – in that order. This order reflected experience in lobbying, and was the exact inverse of his personal relationship with them. Sewall ordered an English relative to give them £50 for trying to save his lands. While he was receiving conflicting advices from friends regarding the writ, Andros's new commission was formally published on July 19th, clarifying to the colonists how much stronger he had become. With much reluctance, Sewall began the confirmation process on July 24th. Lynde and Russell did the same, while Shrimpton prefered a trial. Sewall then reported it in another

[88] Fortescue (1899) #735, PRO CO 5/904, pp. 347, 364, Toppan (1900), p. 491.

[89] Whitmore I, p. 93.

[90] Charles I fined only the rich invaders to the royal forests (Gregg, pp. 225-6).

[91] PRO CO 1/65 #43.

letter to Mather, indicating that he would have joined them in England if not for his wife's pregnancy. A week later he wrote another letter to Wharton and Mather, raising his monetary aid to £100. He offered Mather even more money in October, and eventually sailed to England in November.[92] There he wrote to a Member of Parliament:

> Since the vacating of the Charter, and erecting a Government by Commission, the Title we have to our Lands has been greatly defamed and undervalued: which has been greatly prejudicial to the Inhabitants, because their Lands, which were formerly the best part of their Estate, became of very little value, and *consequently the Owners of very little Credit*[93].

Some colonists did not wait so long before petitioning for a confirmation of their titles, even if they were not served a writ of intrusion. Figure 1 shows the number of original survey petitions per day in the Dominion, from January 1st, 1687, to August 31st, 1688. I did not include the cronies' predatory petitions and petitions that merely responded to challenges by others. The overall number is small because petitioners faced adverse social reaction, especially in Massachusetts. The tallest bar in Figure 1 is July 16th, 1688, four days after the writs were served. This is another piece of evidence, independent of Sewall's affairs, as to how the writs shocked the colonists.

6.2. The Bank's End

The bank mostly relied on "good ... unquestionable" titles to lands[94]. Sewall was not a bank officer. His testimony that land value decreased and could not be used as a source of *credit* is significant evidence in the search for the reason of that land bank's fall. The writs of intrusion – Andros's first direct and formal attack on land titles – were issued on

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[92] Sewall, pp. 219-221, 237, MHSC (1868), pp. 517-20, MHSC (1886), p. 87, MA 129:83, 110, 228-34.

[93] Italics are mine. Sewall, p. 251.

[94] Davis (1910), vol. I, pp. 126, 139, 141.

July 12th, 1688. *Four days later*, on July 16th, Blackwell aborted the bank. In a letter to the partners he writes that he understands they no longer wish to be associated with the bank. He asks for the plates they used for printing banknotes, and also for reimbursements of his costs in publishing the prospectuses. Blackwell's liquidation letter implies that actual operations have never begun. Formal cancelling of all "Covenants and Articles" occurred at Blackwell's house on August 10th, 1688.[95]

The writs finally made it loud and clear: *All titles in Massachusetts were worthless*, unless confirmed by Andros at exorbitant fees. Perhaps the bank officers stormed into Blackwell's house on July 12th and told him they were done with the bank. More likely, during the first half of 1688 land litigation increased and hopes for the lobbyists' success diminished; in response the bank had slowly decayed, and perhaps some partners had given up; Blackwell kept his hopes up but on July 12th he understood the game was over.

In addition to Dudley losing his senior judicial position, the colonists realized in July 1688 that law enforcement was also not under their control. Phips arrived in June 1688, but although he was sworn in as Provost Marshal on July 6th, he mysteriously departed to England on July 16th, perhaps fearing assassination[96]. As for the lobbyists in London, they still had not sent any notice of a real achievement[97].

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[95] MA 129:63 (reprinted in Whitmore III, pp. 84-5), 129:55 (back of page).

[96] Sewall, p. 215, MA 129:30, Mather (1697), pp. 18-9, Baker and Reid (1988), pp. 65-7. On June 30th he specifically demanded to be in charge of all writs (MA 129:14). On that day Sewall already knew that Phips planned to leave (MHSC [1886], p. 85).

[97] Mather and Hutchinson would get access to the king only a few days later (MA 242:349, CO 1/65 #39-39I, CO 391/6, p. 181). Wharton died bankrupt in London in 1689 (Sewall, 255).

The prospectuses did allow depositing goods at the bank as an alternative to land, but the bank could not stand on goods alone. First, there were not enough goods during that recession. Second, the prospectuses relied on land first and goods later, both in terms of importance and chronologically. Perhaps goods could be used by some people some of the time, but the bank could not be based exclusively on goods, especially at the beginning. Third, the prospectuses mentioned the high risk of confiscation in a bank based on specie rather than land[98]. This warning applied to goods as well. Under Andros it was unsafe to put so many goods in one place. He coveted not only every type of land the colonists had, but also half of the treasure from all shipwrecks[99] and their precious whale carcasses. Regularly cast on Plymouth shores, the whales' oil was extremely valuable. Andros confiscated those cast on public land[100]. There was also an idea to confiscate the specie of the missionary company (see Section 3)[101]. The colonists believed that as long as they had any moveables – including "money, ships, goods, merchandizes" – Andros would keep using any "tricks, juggles, and designs" to seize them[102]. Thus, goods could not support the bank. Without land, the bank was dead.

Of all the bank officers, nobody knew better than Blackwell the consequences of a constitutional change on property. He had gained a lot of land during the Civil War and

[98] Davis (1910), vol. I, p. 175.

[99] MA 128:53-5, 57-8. He said he did it under order from the king.

[100] MHSC (1861), pp. 178-9, Prince Papers at MHS, #33, MA 128:80, 134-5.

[101] Hutchinson (1865 [1769]), vol. II, pp. 271-2, 294-6, Toppan (1899c), vol. III, pp. 288-91, vol. IV, p. 106, PRO CO 1/46 #42.

[102] Whitmore II, pp. 234-5.

lost it with the Restoration[103]. Adam Winthrop, cousin of the Winthrop councilors, was another bank officer. As a merchant in London in the 1670s he had seen the Stuart attitude to property rights. In particular, the Stop of the Exchequer was a collpase of a system built by his father's cousin (Sir George Downing). Upon returning to Massachusetts in 1680 he was the *only* man who participated in all the money and credit ventures of the following decade[104]. He may have convinced fellow bank officers that the Stuart-appointed Andros was not different from a Stuart tyrant.

7. The Existing Explanations

The mystery of the bank's fall has intrigued scholars for generations. Some blame Andros for shutting down the bank because of Blackwell's Cromwellian past, Blackwell's opinion on devaluation, or the joining of the anti-England Cooke[105]. However, Blackwell's final letter indicates voluntary withdrawal of bank partners[106]. There is no evidence that Andros forced anyone to withdraw or that he *directly* did anything to Blackwell or the bank. Also, all these issues were known at least a year before July 1688: Blackwell's past was known already in 1686; as trade committee head, so was his view on devaluation (stated in the 1688 prospectus); Cooke joined in June 1687. The bank actually progressed during that last year.

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[103] Dorfman, p. 97.

[104] He was a trustee in the clearinghouse, an officer in Blackwell's bank, and a member in the government's paper money committee of 1690. See Davis (1903), pp. 274-5, Davis (1901), vol. I, p. 10.

[105] Davis (1907), pp. 358-9, Dorfman, p. 102.

[106] "I perceive you have declined the concerning yourselves any further in the bank affairs" (Whitmore III, p. 84).

Bailyn (1955) claims that the bank failed for lack of support from the merchants, who preferred manipulation of the value of foreign coin. This is unlikely. First, the valuation of coin was decided against the merchants in March 1687.[107] Since then the recession became much worse, partly because of Andros's other policies[108]. Also, Bailyn falsely distinguishes merchants from landowners. He names merchants Wharton and Simon Lynde as leading the campaign on coin valuation, whereas both were Atherton partners and either they or their relatives had led the bank[109].

Others argue that Andros's arrival invalidated the bank's charter or that Dudley had no authority to charter the bank[110]. As the prospectuses indicate, a charter was not necessary because it was a partnership, not a corporation. Anyway, the council probably did have the power of chartering[111]. The prospectuses do not mention the legal tender status that had been given in 1686, so perhaps Andros cancelled it. Nevertheless, this would not have been a fatal flaw, but merely a step back to the original bank plan that Blackwell brought from England. In general, Council decisions under Dudley were still valid unless explicitly overruled by Andros or contradicted his commission[112].

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[107] Toppan (1899b), pp. 247-63. Bailyn states that it remained an open issue, but provides no evidence.

[108] Enforcing the Navigation Acts, suppressing piracy, charging high fees for confirming land titles, and making changes in tax assessment and collection which vacuumed all currency out of the economy (Felt [1839], p. 48, Barnes, pp. 165-9, Hall, p. 111, Lewis, pp. 227-8, 249-50).

[109] For Wharton's biography see Barnes (1925). On Lynde see Lewis, p. 191. Lewis does identify Wharton and Lynde as leading landowners, so his support for Bailyn's explanation is puzzling.

[110] Newell (1998), pp. 124-6, Davis (1910), vol. I, p. 180, Dorfman, pp. 101-2.

[111] Whitmore I, p. 49, MA 126:105.

[112] PRO CO 5/904, p. 285. One of Andros's men thought otherwise (Trumbull and Hoadly, vol. III, p. 441).

8. Conclusion

On Thursday, July 12th, 1688, the recommissioned royal governor Sir Edmund Andros launched a surprising legal attack on a sample of important landowners. After reflecting on this during the weekend, on the following Monday some colonists gave up: a record number of landowners petitioned to have their land titles confirmed as required, and John Blackwell aborted his land bank. My hypothesis is consistent with expectations the colonists could have had while waiting for the Dominion, during Dudley's reign, during Andros's first year and a half in office, and after his direct attack on titles. It explains the timing of launching the bank scheme, its continuation in a difficult year, and its crash in July 1688. The explanation of the crash is backed by both qualitative data (Sewall's diary and letters) and quantitative data (Figure 1).

America's first bank was one of the last victims of the Stuart tyranny. The cover of the book collecting Andros's land warrants at the Massachusetts Archives describes him "a governor, and rascally petty tyrant, under the king and grand tyrant of Britain." The colonists repeatedly referred to Andros's government as a French one, the contemporary Louis XIV being the epitome of tyranny. His councilors testified that he "resolved and practiced to make all men's titles quite null and void." It happened gradually, as noted by famed historian Thomas Hutchinson: "property became every day more and more precarious[113]." The land policy eventually led to the 1689 revolution against Andros.

[113] Tuttle, p. 292, Whitmore I-III, *passim*, Mather (1691), p. 17, Hutchinson (1936 [1765]) I, p. 306. Modern scholars agree (Dunn, p. 229, Lewis, p. 183, Johnson [1981] p. 139). The French analogy was not harmed by Andros's name (French for "Andrews") and his origin in Guernsey (Whitmore II, pp. 5, 161).

The analogy with the Stuarts is justified. Bank directors and Councilors Dudley, Stoughton, and Wait Winthrop were powerless under Andros. The Council usually did not vote, and Andros ruled alone[114]. The *rise* of the bank during Dudley's reign is an example of absolutism supporting growth by expropriating the returns on investments that might not have arisen otherwise. The *fall* of the bank is an example of absolutism hampering private financial development. It did not take a revolution to change the bank's fortunes, but just a new man at the top of the same absolutist government[115].

While the removal of the Stuarts led to a banking boom in England, Blackwell's bank was not revived after the Stuarts and Andros were deposed. This requires an explanation. Before Andros was deposed, Blackwell had gone to Pennsylvania as Governor. When he returned in 1690, Massachusetts was facing extreme political uncertainty and a war with Canada. Moreover, the Andros land policy was not overruled by the new king until late 1691. Before conditions were ripe for another attempt at a bank, the colony issued its own paper money during an emergency in late 1690. From that point, all bank schemes – including a 1714 attempt to resurrect Blackwell's bank – were suppressed by the government, which cherished its monopoly on paper money. The government was also too democratic to allow its leaders to personally expropriate profits as in Dudley's reign. Instead of banks, with their quantity of money limited and soundly backed by land and goods, Massachusetts thus ended up with public paper money, spent or lent by

[114] Whitmore I, pp. 138-142, Dunn, p. 244, Hall, p. 110, Lewis, p. 251.

[115] Whitmore II, pp. 121, 144, 252, PRO CO 5/856, #150.

politicians, and not always properly backed[116]. Eighteenth century Massachusetts might have enjoyed higher growth and lower inflation had Blackwell's bank succeeded.

Development economics recognizes the difficulties of financial progress in countries where the rule of law is weak. A final lesson here is that the real story may be in a seemingly unrelated area. The (unintentional?) culprit in Massachusetts was the land policy – the biggest story of the Andros era – rather than any personal, monetary, or corporate issue, as claimed in the literature.

[116] Davis (1901), vol. II.

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Table 1: Timeline of Events

1684: Massachusetts charter revoked.

May 1686: Dominion of New England established. Dudley is temporary President.

June – September 1686: Bank promoted by government.

December 1686: Governor Andros arrives.

February – July 1687: New land policy revealed.

March 1687: Andros decides on foreign coin valuation.

April 1687: First sign of life from the bank under Andros.

January 1688: Last sign of life from the bank.

5 July 1688: Andros's new commission arrives.

12 July 1688: Writs of intrusion issued.

16 July 1688: Bank aborted.

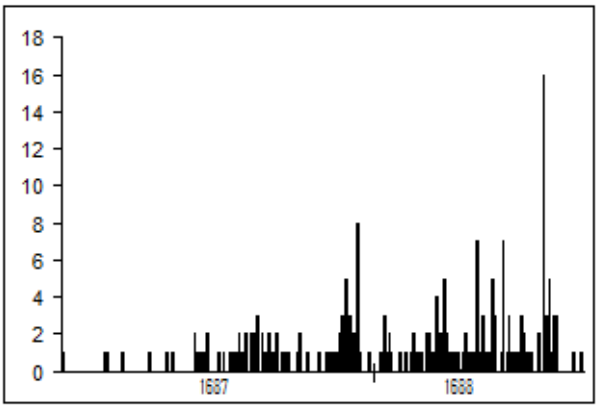
December 1688: Blackwell leaves for Pennsylvania.

1689: Andros deposed, provisional government joins war with France.

March 1690: Blackwell returns, war intensifies.

December 1690: Provisional government starts issuing paper money.

Figure 1: Land Petitions for Confirmations per Day, 01/01/1687 – 08/31/1688



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