



Robert Morris, the first U.S. Superintendent of Finance.

ROBERT MORRIS: AMERICA'S FIRST FINANCIER

As the richest person in America during the Revolutionary War, Robert Morris was commonly known by the single name that encompassed his profession, his accomplishment, and his genius: he was referred to simply as “the Financier.”

In the 1770s, when the United States was in its first throes of independence, Morris served as a statesman in the company of Adams, Franklin, and Jefferson. But by 1781, with the nation on the verge of forfeiting that independence to bankruptcy, he was the only choice for the newly created government post of Superintendent of Finance, a position equivalent in the desperate days of 1781-82 to the head of the emerging executive branch. Before resigning in 1784, Morris had formulated a workable plan to restore the solvency of the United States.

Though hindered from instituting his strategy completely, Morris at least staved off panic and managed to maintain the army—an estimable accomplishment. He also replaced the uncomfortable standoff between government and commerce that remained from the colonial era, establishing a closer yet freer

relationship between government and business. "To do any good, [we] must infuse into traders of America a spirit of enterprise and direct their attention to such objects as will most benefit the publick," Morris insisted. ". . . Their own interest and the publick good goes hand in hand and they need no other prompter or tutor."

Robert Morris was the country's first real businessman, and in many ways his life is a model for the millions of people who have found success in the American economy he helped to create. While Morris inherited very little money, he built his fortune slowly on reputation, connections, and attention to detail. From his base in Philadelphia, he formed myriad partnerships, eventually charting ships and investments all over the world. Most other early Americans were farmers, who regarded self-sufficiency as a virtue on a personal or a national scale. But in the Financier's world, interdependency meant opportunity, and if it was managed properly it was a virtue for an individual or, more important, for a developing economy.

Reversals and debacles took away all of Morris's money by the end of his life. Still, even a debtor's prison could not tarnish his optimism. Down to his very last days, he looked forward to starting yet another new business.

FRIENDS AND FORTUNES

Born in England in 1734, Robert Morris moved to Maryland twelve years later with his father, a merchant of the same name. The elder Morris led a lively social life, starting several common-law families even as he maintained his small stake in the shipping business. Under the circumstances it was expedient to follow the custom of the day by arranging an apprenticeship for his son, so he found a promising place for Robert with a shipping company in Philadelphia: Willing and Company. If young Robert was too old to rate as an outright prodigy, he was nonetheless remarkable for a fifteen-year-old; left in charge of the business in Mr. Willing's absence, he managed to corner the mid-Atlantic market in flour.

Having inherited his father's genial personality, Morris became one of the most popular young men in Philadelphia. Even the boss's rather dour son, Thomas Willing, liked Robert Morris. Willing eventually offered a full partnership to the twenty-year-old former apprentice. They had their warehouse on Water Street (then known as King Street) in Philadelphia, and the sidewalk out front would be piled with cargo throughout every spring and fall when the ships docked from the sea. At the time, the city claimed hundreds of ocean-going ships, with dozens of firms behind them, but within ten years Willing & Morris was the most successful of them all, with outright ownership of six vessels.

Willing & Morris made good profits, sending cargo back and forth to the West Indies and, as a natural sideline, speculating in the bulk commodities they traded: tobacco, flour, sugar, and indigo. Paper money, issued by individual colonies as bills-of-credit, found favor with some investors as an avenue of speculation, and Morris was able to make important connections with French investors, by obtaining "paper" for them. For his own accounts, which were meticulously kept, he found that he could make as much money in three months by sending a ship to the islands as he could make in a year and a half by speculating in paper.

Morris was no gambler, though; his relaxed ease in social situations contrasted with his slavish attention to the smallest details in business. Punctuality, he liked to say, "was the best part of a man's trading capital." He schemed, he hedged, he drew tight contracts, but mostly he chose his investments very carefully. Once he admonished an overzealous junior partner: "It is absolutely necessary that you should curb that very keen eager desire of missing *nothing*."

Unlike the elder Robert Morris, he married just once, and happily. Even marriage contributed to his business career; his bride, Mary White, came from an important family. Through the years, their various homes in Philadelphia or out in the country were lushly furnished and, in addition to the family's six children, were typically filled with many friends. Morris never drew lines around the different aspects of his life. Even in the anxious days at the outbreak of the Revolutionary War, he wrote to the future Virginia governor Benjamin Harrison about a grand time he'd recently enjoyed: "You see I continue my old practice of mixing business and pleasure, and ever found them useful to each other."

Few people had spare cash in colonial America, and banks did not exist. The stock market did not exist, either. Investment at the time was a highly personal endeavor, not an institutional one; when a promise from a merchant was considered an unimpeachable bond, Willing & Morris were especially known for the integrity of their dealings. Yet written contracts were vital in more complex dealings between individuals, a fact well known to Great Britain when, in 1765, it effectively taxed all investments in the colonies by charging for a stamp to be placed on every legal document, newspaper, and book. Being particularly sensitive to anything that affected commerce, Morris was at the forefront of the colonists' successful effort to force the repeal of the Stamp Act. As was the case with many who joined him, this was a first step away from loyalty to Great Britain.

THE PRICE TAG OF FREEDOM

Morris was to be a central figure to the great events of the American Revolution. A delegate to the Continental Congress, a signer of the Declaration of Independence, a member of Benjamin Franklin's elite Council of Safety (which operated in support of independence in the city of Philadelphia), he was a passionate patriot. However, nothing absolutely nothing—intervened between Robert Morris and his business interests. His attitude did not reflect merely the myopic view of a self-made man; it was the philosophy of an eminently practical one. To Morris, and to many others, commerce swirled as naturally through lives as it swirled through government—one could not have business without public administration. Robert Morris's vast wealth grew when he became actively engaged with plans regarding the new nation's future, rendering him even more indispensable to the floundering nation.

Americans were independent and in general self-sufficient. And they did not want taxation—with or without representation. The nation was administered by the Continental Congress, a unique body in the annals of governance in that it was authorized to print money, take on debt, raise an army, and make vast purchases—all of which it did—but did not have the power to levy a tax to pay for any of that. The war effort, the only real function of the federal government in the first years of the country, went ahead on the basis of various means of financing, only some of which were valid. Unfortunately, the most effective of them in the short run was also the flimsiest overall.

On a formal basis, rich colonists loaned the government money at a healthy return of 4 (later 6) percent. Private loans were an important source of financing early in the war. Later the Continental Congress demanded, or requisitioned, payments from the individual states that resulted in more frustration than cash for the new nation. Through 1778, individuals in France, prodded unceasingly by Benjamin Franklin and others, loaned the United States money; soon after 1778, the French government itself became officially allied with the United States and

made grants and loans. In the most popular means of raising revenue, the government simply confiscated the property of Tories or those thought to be sympathetic with the British. However satisfying such confiscations may have been, they were negligible as a source of revenue in the long run.

The new government funded itself mainly through bills of credit, paper money backed by nothing except the future ability of the United States to redeem it in "hard" currency. This financial tactic was supposed to be a temporary measure, but the bills continued to proliferate as they were the only easy solution to the problem of inflation that they then exacerbated. Soon, they were truly not worth the paper they were printed on, and production ceased.

So the United States went to war without any money. In fact, the new nation, though rich in principles, faced the might of the British army in the spring of 1775 with but a few crates of gunpowder and no guns, uniforms, ships, or supplies. Any other country in that situation, even a brand-new one, would have levied a tax, but America, as Morris once observed, was not like any other country. Benjamin Franklin explained the difference as it concerned the American Revolution: "the contest being upon the very question of taxation, the laying of imposts, unless from the last necessity, would have been madness."

Still, the war cost the United States about \$16 million annually. Over the first five years of it, 1775 to 1780, the Continental Congress took in, in one way or another but not through taxes, about \$45 million and in April 1781 the national debt amounted to a breathtaking \$24 million. Yet there was virtually nothing tangible to show for it. The nation abounded in foodstuff, but its army was in rags. Procurement, the priority of supplying an army in the field, was so despicable that in the winter of 1780 one governor actually sent General Washington a load of blankets and included a bill for the lot.

George Washington and the other generals watched their men languish, truly hungry, nearly naked, and sorely ill-equipped to care for themselves, let alone to wage battle. Great Britain watched, too, and

waited for the would-be nation to cave in on its own worthless money. Even in France, enthusiasm for the United States waned with the approach, which was seemingly inevitable, of fiscal ruin. The French ambassador received direct orders: Offer the Continental Congress great affection, but no money.

With no system of public debt, the United States was lucky to have survived as long as it did. General Washington, who was not one to say anything he didn't mean, threatened to disband the army altogether unless the otherwise prosperous new nation found a way to supply it regularly and fairly, starting immediately. So it was that in the winter of 1780–81 the only matter before the Continental Congress was the imminent collapse of the government's financial structure.

The Articles of Confederation, which were finally ratified by all states, went into force on March 1, 1781. Although the Articles granted each state a veto power, the document called for the creation of a general treasury, "which shall be supplied by the several States, in proportion to the value of all land within each State," and gave Congress the exclusive right of striking coin, regulating trade, and borrowing.

With the new infrastructure in place, the Congress now needed a chief financial officer, a person with experience in mercantile affairs who could clamp down on costs, re-establish the nation's credit, and place the new nation's finances on a sound footing. A few members, including Samuel Adams, would have voted against the concentration of executive powers in a single person acting as the Superintendent of Finance (the nation didn't even have a president, yet, after all), but once the post was created, the vote was unanimous. The person to fill it was Robert Morris, the merchant prince of Philadelphia. After ruminating about the scope of the problem, Morris accepted the job with two provisos: that he could choose his own staff and that, while he was in office, he could maintain his full array of business interests.

The announcement of Morris's appointment, on February 20, 1781, revived the hope of many Americans. The quartermaster in Philadelphia wanted to waste no time in sending word of the breakthrough to General

Washington, who was then stationed with his men along the Hudson River, but the army could not afford to hire an express rider. When Washington finally heard that the Financier was in charge, he was as relieved as the lowliest private. The army was trying to save the new nation, and finally, someone was on hand to save the army.

GENERAL WASHINGTON AND CITIZEN MORRIS

In the summer of 1781 he worked hard to repeal America's embargo law, which banned the import or export of goods with any part of the British Empire. The law may have sent strong signals in diplomacy, but it had less practical impact than the British blockade of American trade. Nonetheless, it offended the sensibility Morris had maintained throughout his career as a merchant: "Commerce should be perfectly free," he wrote (and repeated often), "and property sacredly secured to the owner."

Once sworn in as the Superintendent of Finance, Morris knew exactly what to do, but even he did not know what to do first. His own priority was the establishment of a national bank, and after just three days he sent the Congress his detailed description of it. His bank would be both the "pillar," he called it, of a system of public debt and the first step in truly uniting the various states. His plan for the "Bank of North America" was typical of Morris: a vision of how a partnership of private business interests should support the public good. It would be privately managed, with its assets at the disposal of the government, and owned by the individuals who bought shares in it.

Capitalized at \$400,000 (1,000 shares at \$400), the new bank was meant to grow within four years to control \$4 million. Even more importantly, it was supposed to serve as the symbol of a stable, safe American money policy. The bank's own printed paper notes were not empty promises; they would be readily redeemed for coin during regular hours.

By the time the bank was opened, though, fewer people than ever could scrape together as much as \$400 in cash. Not one initial subscriber could be found in all of South Carolina, according to the governor.

The Bank of North America was an ambitious start. As the only national bank at the time, it was the kind of far-reaching and reassuring solution that was expected of the Financier in his new job. It had to wait, though, because even more urgently, Morris had to feed the army, and his first months were spent marshaling resources as heroically as Washington marshaled troops. With no time to re-establish the credit of the nation, Morris often used his own money to purchase supplies for Washington and his men. While he was at it, he could not resist engaging in profit-making speculations on the government's behalf, a practice he later claimed to be inappropriate, except in such dire times as those of the war. He bought groceries for the troops, found sound sources for bulk supplies, and coerced governors into sending cattle. To accomplish all that needed to be done, he called in favors from his long, long list of friends and acquaintances. On one occasion, he personally paid the troops one month's salary, a necessary inducement for them to march with Washington toward Yorktown.

Morris's efficiency, his attention to detail, and his very promptness in all of his dealings kept the army supplied during its turning-point siege of Yorktown, while his professionalism renewed morale through the ranks. In effect, he was a white-collar soldier who received much credit at the time for turning the tide of the war in America's favor.

"The variety of business I am obliged to do in detail so engrosses my time that I cannot pay attention to those general arrangements which are the proper objects of my appointment," Morris wrote, although before the end of his first year he had made substantial progress. He completely reorganized the Treasury Department and acted to establish the U.S. mint. On the basis of Morris's very acceptance of the job of Superintendent, the French renewed their payments. Upon the arrival of hard currency from France, the Bank of North America finally solidified, opening its doors on Chestnut Street in Philadelphia in January

1782, less than one year after Morris proposed it. With no working U.S. monetary unit, the bank used the Mexican dollar to keep its accounts. The institution was not immediately the great success that Morris hoped for, but it survived, making a noticeable contribution to the war supply and providing for some time the only solid evidence of stability in the American economy.

During 1781, the Financier's first year in his post, he gave the single greatest gift that he possibly could make to secure the fate of the United States: "My personal credit, which thank Heaven I have preserved throughout all the tempests of the War, has been substituted for that which the country had lost. I am now striving to transfer that credit to the public," he wrote. In backing the on-going obligations of the United States with his own gold, he was a one-man treasury for a country without one. He issued and personally signed paper money, known as "Morris notes," that were fully redeemable for gold. Morris offered his own name and reputation as the bridge leading from ruin to order for the fledgling republic.

Circulation of solidly backed paper money was not merely a temporary means of restoring fluidity to the American economy. Morris notes were intended to be the means of collecting the seemingly inevitable federal taxes that Morris insisted were necessary. If the states would agree to implement this system, the nation had a chance to create the ebb and flow of controlled public debt. As the leading proponent of the new taxes, though, Robert Morris edged outside of purely financial matters. He was the government's first powerful executive, and he began to interpret federal powers on his own practical, not philosophical, terms. He seemed poised to use his position to knit the states together into something more than a loose confederation. He was, in short, a Federalist. But to be a Federalist at that early point in the history of the government was to be a captain without a ship. Morris tried hard to build one around him.

After the British surrender at Yorktown in October 1781, Superintendent Morris set out to establish not just one tax but a direct system

of predictable, reliable taxes: a land tax, a poll tax, and an import tax. At the same time, he cited a complementary problem in national debt management: expenditures within both civil and military offices of the government were entirely unmonitored. As the nation's best deal maker, he understood the power of a long-term agreement, and he introduced and enforced "contracting" as a means of securing lower prices and making accurate projections of future outlays. In sweeping some of the inefficiency out of the procurement process, Morris made a major advance toward establishing firmer credit for the nation.

Ultimately, though, he failed to convince a majority of state representatives that taxation was necessary to the conduct of the war. The politicians were more concerned with containing one another than with containing Great Britain. Without incoming taxes, Morris tried to depend on the revenues promised in requisition payments, but almost none were forthcoming. (Requisition payments were instituted on the presumption that since the states held the power to tax they could pass revenue onto the national government.) No state wanted to pay if its neighbors wouldn't, so none did.

Early in 1783, when it was expecting \$2 million, the Treasury received exactly one payment: \$5,500 from the State of New Jersey. Meanwhile, the national debt was well over \$16 million, not even including outstanding paper notes. Morris had counted on the war to bring the states into true union. In fact, as the prospect of peace approached in 1782–83, the possibility of eliciting an agreement on taxation only receded. In effect, the states had won their own war, emerging with independence and without having had to pay for it in ceded powers or in money.

Morris was a cool player, even in the worst of times, but in his later years in office, he grew desperate to achieve what he had set out to do: "draw forth and direct the combined efforts of united America." Trying to spark concessions, he predicted that after a peace treaty was signed a civil war would break out between the squabbling states, or that the nation's disgruntled soldiers would dissolve into an uncontrolla-

ble rabble and punish the countryside that had unnecessarily punished them throughout the conduct of the war. Predictably, one of the states found a way to stall negotiations. In this case, it was Rhode Island's representative who explained that his state could not act on any matter such as taxation until issues related to Western lands had been settled.

Such blather exasperated the Financier. He hated what the job of Superintendent had become; that is, holding the nation's finances together not by introducing order but by struggling to control the reins of its chaos. In January of 1783 he threatened to resign if the internal situation did not change, and he consented to remain only after receiving the assurance that the Congress would finally and seriously address the matter of taxation. It did not.

Morris had one last card to play against the intransigent states, aware as he was of two assumptions that swirled through state capitals all that summer. The first was that the soldiers in the army would revolt if they were discharged without being paid, and the second was that Robert Morris was the only man who either could pay them or make arrangements to do so. He tried to use the situation to force the states to cooperate, but they held out mere promises, and in the end it was Morris who capitulated. He felt compelled to set aside the power struggle and act, both for the public good and because he believed it would be dishonorable not to pay the men something for victory. So he borrowed \$350,000 from a broker and averted the crisis by dispersing at least partial wages through the ranks (after Morris left office, no one ever bothered to repay the \$350,000).

In September 1783, the Treaty of Peace with Britain was finally ratified. A year later, the Financier could see that he had done everything he could, and he could do no more. He resigned in November 1784, and no keen effort was made to stop him. Robert Morris had not accomplished his plan of establishing an unimpeachable financial structure for the "young and rising Nation," as he called it. Yet he had saved that nation.

THE NATION SURVIVES, BUT THE FINANCIER IS RUINED

After the war was over, Morris's future appeared enviable. He still had a large fortune and a strong influence over the future of the nation. The need to resolve questions over the assumption of state debts and the payment of national debts were among the many factors leading to the Constitutional Convention of 1787, which Morris attended. Indeed, the Constitution, as ratified by delegates meeting in Philadelphia in 1787, realized many of the central powers for which Morris had campaigned inside and outside of office. On that occasion, it was he who had the honor of nominating George Washington as the first president. Robert Morris was subsequently elected a senator for Pennsylvania. Throughout the years of the first presidency, when the national capital was Philadelphia, Washington and his family stayed in Morris's house.

Washington naturally offered his old friend the cabinet post of Secretary of the Treasury, but Morris declined. He was anxious to return to business and recommended Alexander Hamilton, a younger man who matched Morris in Federalist sensibilities, if not in personality. They were not friends, but Hamilton carried through major aspects of the Morris plan, without its familial, almost sentimental, insistence that business and government could be partners in financial activities. Hamilton was also able to establish a system of public debt, attached to a central bank and mint, leaving commerce entirely independent.

Robert Morris's downfall in business was as breathtaking as his rise had been forty years earlier. If his ideas regarding government seemed to make more progress after he left his highest office, it is tragically but equally true that he fared much better in business before he left his post. In the 1790s he caught the so-called "land fever" and bought enormous tracts in Virginia and western New York State, in addition to smaller parcels all over the country. He owned over 8 million acres, and was, in a matter of a few years, the nation's largest landowner. His friend George Washington tried to dissuade him from committing his fortune

to a type of investment so foreign to him, but the rising values were too much of a temptation. Land was also irresistible to Morris because it offered him the chance he craved to create private businesses that would help the nation and the people in it. In developing his tracts, he took inordinate care in laying out neat communities, even in frontier areas; moreover, his agents sold parcels at fair prices only to prospective homeowners, discouraging the blight caused by careless speculators.

One hundred years after Morris's agents began to sell land in the pastoral Genesee River Valley in New York, a grand celebration was held in his honor, and one of the speakers concluded his description of the development of the area by saying that "Nearly every home in the western part of the beautiful valley . . . is connected with the name of Robert Morris, and though all others may neglect his memory, and even forget the name of the great financier of the revolution, his fame will live on in this historic region as long as the people love the land on which their children were born and in which their fathers sleep." The original land office was turned into a museum, dedicated in his memory.

The fact that land is so timeless may be compelling, but it ruined Morris. In running ships to the Caribbean, three months was a complete transaction, cash to cash. As the nation's great landowner, Morris soon found that he had no cash. When debts mounted, he had no liquid funds with which to pay them. Land prices did not have to fall much to start him on an irrevocable downward spiral. Of all the embarrassments he faced, the most ironic was that the Bank of North America, his own creation, brought one of the first suits against him. "Disappointments have put it out of my power to pay punctually" was all that he could say in response.

In the land purchases, Morris seemed almost maniacal, continuing to buy even when he was being hounded by creditors, even when he could not sell the land he already had. He forgot his own advice, tendered years before to his junior partner: "It is absolutely necessary that you shou'd curb that very keen eager desire of missing *nothing*."

ROBERT MORRIS'S BROKER

I sent for Mr. Haym Salomon several times this Day to assist me in raising money," Robert Morris noted in his diary for August 29, 1782. It was a typical entry in the years when hard cash was scarce in the new United States and when Haym Salomon was always at the ready if Morris needed him. Like Morris, Haym Salomon was foreign-born, a Pole with Jewish and Portugese ancestors. Like Morris, he built his own fortune in Philadelphia. As a leading broker in "paper" money before the Revolutionary War, Haym Salomon became the official broker for Morris's Office of Finance, seeking out customers for the notes issued by his boss.

In the worst times, though, not even Salomon the broker could induce anyone to invest fresh capital in the fight for independence. And at such times, he had only one customer left. Asserting his fervent patriotism, even at the expense of his business sense, he made outright loans of \$211,000 to the young government and purchased bills totaling \$353,000, most notably during the desperate effort to meet the army payroll at the war's end. When the country turned to Robert Morris, Morris turned to people like Haym Salomon, and Salomon could not have given more: when he died in 1785, he was broken in health and completely penniless. His fortune was never repaid, but even so, it had not gone to waste. It helped to start a nation.

Robert Morris, the richest man in the colonies, was among the poorest in the United States. On February 14, 1798, he was arrested for nonpayment of debts and held in custody until he could be placed in debtor's prison the next day. That night, he was alone with nothing left of his empire, except, at sixty-three, just what he had started with. He sat in a little room, holding his father's gold watch, and he wondered if he would be allowed to keep it.

Debtor's prison was a sort of rudimentary apartment complex, where the typical prisoner stayed for a few weeks while friends and relatives raised

the funds to settle the debt. Robert Morris was not like any of his fellow inmates, but perhaps he was like William Dorrit, the Dickens character who also fell from the upper class into debtor's prison: "Crushed at first by his imprisonment, he had soon found a dull relief in it."

Morris would remain in the prison for three years, tending a garden, writing to his family, and receiving visitors, including George Washington, who spent part of an afternoon with his old friend and adviser. Alexander Hamilton visited too. Outside the walls of the prison, Morris was neither forgotten nor reviled for his predicament. President-elect Thomas Jefferson made it clear that he would appoint him Secretary of the Navy, if he could extricate himself. It was not to be. Morris's family and friends couldn't possibly raise the \$3 million he owed. But eventually a new bankruptcy law was passed, inducing creditors to settle with debtors. After Morris left prison, he lived very modestly, awaiting one rumored government appointment after another. None came to pass, and he decided to become, in effect, an antiques dealer, using his honed eye to make purchases at auction for resale in a shop. He died in 1806 before he actually entered the business, but he died hopeful, as ever, about his prospects. His epitaph notes simply that he was Financier of the United States during the Revolution.

Franklin is remembered as the young nation's great diplomat, and Jefferson its philosopher, while Morris was its financier. The business of finance is hard to understand, except for those working intimately within it. Even while Morris was fulfilling the duties of the Superintendent, some observers speculated that he wasn't rich at all, but was just a clever schemer who made himself seem well-to-do. Others accused him of using the post only to expand his enormous fortune, a rumor that especially offended Morris when it took hold in the ranks of the army.

As a statesman *and* an unabashed businessman, Robert Morris was a rare combination in the colonies and in the nation that emerged from them.

In public service for so many years, Morris met the critical juncture of 1781–82 and used the tools of finance to give his struggling nation something more precious than money: he gave it the time that it needed. For that he ought to be remembered.