A Capital City:
Washington, D.C., and the Political Economy of American Federalism, 1790-1831

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Introduction

A Center of Controversy

That Washington, D.C., is a powerful city may seem like a trite observation. Occasionally called "the capital of the free world," the city's name is frequently deployed as shorthand to reference the authority of the United States government or, as the "Washington consensus," the global hegemony achieved by North America and Europe in economic and diplomatic affairs. Despite Washington, D.C.'s prominent place in America's public discourse, the municipality itself is not powerful or influential. Its role in governance is legally and circumstantially limited. Its lone delegate to Congress cannot vote to enact legislation and according to the U.S. Constitution the Federal District cannot have more presidential electors than the union's least populous state. The division between the operations of the federal government and the city is so distinctive that its residents assume rhetorical allusions to "Washington" do not refer to them.

This incongruous image of Washington reflects its history as the center city of a nation born in rebellion against central authority. America's colonists had realized great benefits from their connection to London and its Parliament. As the world's preeminent commercial entrepôt, London offered Americans a crucial source of credit and capital and a marketplace to exchange goods with continental Europe and the Far East through well-established channels. These relationships reduced transactions costs and conveyed upon colonial commerce the security benefits of Britain's naval supremacy. Although Americans occasionally chafed against and often ignored inconvenient imperial commercial regulations, their association with a regime that acted aggressively to advance the prosperity of its subjects conveyed economic benefits that Americans were reluctant to forgo.

Despite the benefits of the imperial relationship, the aftermath of the French and Indian War convinced many Americans that London and its parochial interests were increasingly dominating governance of the empire to the detriment of the colonists.[1] As John Adams observed, long parliamentary sessions, skewed representation, bribery and a growing corps of placemen and pensioners had produced "luxury, dissipation and effeminacy" that inured the imperial government to concerns outside its comfortable seat.[2] Some leaders concluded the costs of this corrupted governance now outweighed the benefits. The ensuing political crisis and rebellion left Americans so skeptical of centralized governance that many opposed creating a single, stationary governing center for the United States. Even many politicians who believed the republic required a permanent center city avoided the politically-loaded term "capital," and instead argued in favor of creating a fixed seat of government.

The events of the 1780s convinced American leaders that the union needed a more powerful central government to address the republic's many difficult economic and political challenges. America's capital-scarce, export-driven economy required access to foreign markets for goods, services, credit, and customers. Before the Revolution, cultural, historic, and regulatory connections had ensured these needs were met by Britons, especially Londoners, or by colonists in other parts of the empire, particularly the West Indies. These relationships had

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[1] Jack P. Greene, *Peripheries and Center: Constitutional Development in the Extended Polities of the British Empire and the United States, 1607-1788* (Athens: University of Georgia Press, 1986), 73-106.

[2] Paul H. Smith, et al., eds., *Letters of Delegates to Congress, 1774-1789,* vol. 1, August 1774 - August 1775 (Washington, D.C.: Library of Congress, 1976-2000), 309.

reinforced the connection between individual colonies and the mother country but militated against the formation of close connections between the North American colonies.

This transatlantic orientation proved persistent. After the war, states separated by vast distances and diverse commercial interests competed with each other to secure access to and advantages within overseas markets. American leaders began to fear the young and fragile union would break apart as Americans' economic interests pulled them politically closer to European powers and away from the United States. Some states faced fiscal difficulties that heightened these concerns. In Massachusetts, Shay's Rebellion demonstrated that Revolution-era indebtedness and the economic instability that followed the war could combine to prevent states from carrying out basic functions like tax collection and enforcing public order. States unable to meet their international financial obligations offered creditor nations a justification for aggressive collection measures. At the same time, the Confederation government's funding woes made it difficult or impossible for it to intervene financially or militarily to prevent the disastrous consequences of the states' incapacity.

Centralist leaders like George Washington, James Madison, and Alexander Hamilton concluded this domestic instability and international incapacity posed real and immediate risks to the prosperity, integrity, and security of the union and the liberties of its citizens. In response, the framers of the United States Constitution gave the new federal government new revenue raising powers and the authority to resolve interstate differences in commercial policy. Despite these successes, whether and how officials would actually exercise these powers was uncertain. The union's fundamental political problem remained—namely, the difficulties inherent in securing agreement on any particular policy action when local, state, and regional rivalries continued to divide Americans.[3]

Centralists believed that integrating the economies of the states and sections was critical to resolving these persistent differences. They were confident that when Americans' own prosperity depended on commercial relationships with their fellow citizens, the value of the union would become apparent and its integrity would be unassailable. The major obstacles to the success of these efforts were the same differences that encouraged competition between the states. By militating against interstate cooperation, competing interests prevented the federal government activism needed to create a continental marketplace. The buildings, roads, river improvements, canals, and commercial regulations that would bind a geographically extended the republic together were just the sort of costly public projects and policies that elicited fears that the central government had become overbearing or favored one section of the polity.[4]

As a result of this deep skepticism, efforts to secure Confederation support for infrastructure projects fared particularly badly in Congress. This was true even for projects that were obvious candidates for central government patronage. A proposal to cut a canal from the Delaware River to the Chesapeake Bay, thereby creating a waterway that would traverse or border three different states, was barely debated in Congress. Another proposal to fund post road construction failed because delegates saw no benefit to their states from the bill, while

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[3] Kenneth R Bowling, *The Creation of Washington, D.C.: The Idea and Location of the National Capital,* (Fairfax, Va.: George Mason University Press, 1991), details the struggle between centralists and decentralists over the building the federal seat.

[4] Scholars have typically deemed these efforts at continental integration a failure. See Stephen Miniccuci, "The Cement of Interest: Interest-Based Models of Nation Building in the Early Republic," *Social Science History* 25:2 (Summer 2001), 247-274; and "Internal Improvements and the Union, 1790-1860," *Studies in American Political Development* 18 (Fall 2004), 160-85.

others from states that had already engaged in extensive road building (chiefly Pennsylvania and New York) argued individual states were chiefly responsible for these projects.

The Confederation Congress's failure to establish a permanent seat of government is the most prominent example of the difficulties inherent in securing funds for a federal building project. During the 1780s, delegates submitted the names of more than a dozen cities and towns as candidates for a permanent seat. Some decentralist lawmakers opposed any stationary governing center, arguing instead for a rotating seat of government or that Congress decide its next meeting place at the end of each session. Other decentralists hoped to establish two or more permanent seats of government, thereby dividing federal largesse and power between different sections of the union. When in December 1784 congressmen authorized building a seat of government on the Delaware River south of Trenton, New Jersey, centralists seemed to have prevailed, only to fail the following year when Congress voted against appropriating funds to construct public buildings. Money for this first and most critical building project would remain elusive so long as Americans' ideas about a center city were dominated by the memory of London, once the beating heart of oppressive and unrepresentative central authority. As a result, the project that most warranted Congressional support—the construction of a governing center—was unlikely to receive it.

Article I, Section eight of the U.S. Constitution provided for a single federal district to serve as the seat of government. This provision delegitimized arguments in favor of a migratory or divided lawmaking and administrative center. It also prevented opponents from arguing that Congress was prohibited from funding public works at the federal center. Delegates to the constitutional convention had rejected a proposal granting the federal government express jurisdiction over internal improvements, but the Constitution's grant of exclusive legislation over the federal district left little doubt that Congress could fund public buildings within the seat of government. Despite this clear authority, contentious questions about the size, power, and location of the federal center remained. Congressional action or inaction on these longstanding issues would determine the effectiveness of the new government.[5]

Many historians have concluded that American leaders created a small and weak central government with a marginal role in economic affairs rather than risk rehearsing the failures of the old empire.[6] Washington, D.C., has served as prime evidence for this assessment.[7] These histories describe an initially successful struggle to create a great metropolitan center derailed by various malefactions including speculative excesses, competition and disagreement between city founders, or partisan political struggles.[8] Only after Philadelphia's calamitous experiences with yellow fever rendered federal residence on the Delaware undesirable was the Potomac seat

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[5] For an overview of the reasons for calling a constitutional convention, see Merrill Jensen, ed., *The Documentary History of the Ratification of the Constitution* vol. 1 (Madison, Wis.: University of Wisconsin Press, 1976), 140-229. On reasons particularly related to public finance and political economy, see E. James Ferguson, "Political Economy, Public Liberty, and the Formation of the Constitution," *William and Mary Quarterly*, 3rd series, vol. 40, no. 3 (July 1983), 389-412.

[6] John M. Murrin, "The Great Inversion, or Court versus Country: A Comparison of the Revolutionary Settlements in England (1688-1721) and America (1776-1816)," in J. G. A. Pocock, ed., *Three British Revolutions, 1641, 1688, 1776 (*Princeton, N.J.: Princeton University Press, 1980), 368-453, provides a summary view of this assessment.

[7] Stanley Elkins and Eric L McKitrick, *The Age of Federalism, 1788-1800* (New York: Oxford University Press, 1993), 163-86, describe a federal government incapable of promoting urban development.

[8] Bob Arnebeck, "Tracking the Speculators: Greenleaf and Nicholson in the Federal City," *Washington History*, vol. 3, no. 1, (Special Bicentennial Issue: Washington, D.C., 1791-1991, Spring/Summer, 1991), 112-25, focuses particularly on the damaging effects of speculation. Arnebeck, *Through a Fiery Trial: Building Washington, 1790-1800* (Lanham, Md.: Madison Books, 1991), provides a fuller examination of the Potomac project's challenges. C. M. Harris, "Washington's Gamble, L'Enfant's Dream: Politics, Design, and the Founding of the National Capital," *William and Mary Quarterly* 3rd ser., 56, no. 3 (July 1999), 527-564, views Washington City's troubles as a direct consequence of first party system conflicts.

saved from complete abortion.[9] The "federal town" that emerged – what Charles Dickens memorably called a "city of magnificent intentions" – was merely a symbol of central authority that played no meaningful role in continental governance.[10] According to these accounts, this supposed inability to complete the republic's most basic public works project signaled a rejection of Alexander Hamilton's central planning agenda. State governments filled this policy vacuum by building the internal improvements that primarily benefited their residents.[11] Compared to the states' conspicuous developmental programs, federal economic activism during the early republic was enthusiastic but ineffectual.[12] As a result, the union's political conflicts arose primarily between competing states and sections because, as one historian has said, a federal center "did not exist."[13]

These histories misunderstand the motivations behind and obstacles to constructing the federal seat. Most political leaders, including Hamilton, Washington, Madison, and Jefferson

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[9] Fergus M. Bordewich, *Washington: The Making of the American Capital* (New York: Harper Collins, 2008), 123-48.

[10] C. M. Harris, "Washington's 'Federal City,' Jefferson's 'Federal Town,'" Washington History vol. 12, no. 1 (Spring/Summer 2000), 29-53; Charles Dickens, *American Notes for General Circulation*, vol. 1 (London: Chapman and Hall, 1842), 281; James Banner, Jr., "The Capital and the State: Washington, D.C., and the Nature of American Government," in Donald R. Kennon, ed., *A Republic for the Ages: The United States Capitol and the Political Culture of the Early American Republic* (Charlottesville: University Press of Virginia for the United States Capitol Historical Society, 1999), 64-68. Keith E. Melder, *City of Magnificent Intentions: A History of Washington, District of Columbia*, 2nd ed. (Washington, D.C.: Intac, 1997), and James Sterling Young, *The Washington Community, 1800-1828 (*New York: Columbia University Press, 1966), describe an austere early Washington.

[11] State level development studies include Oscar Handlin and Mary Flug Handlin, *Commonwealth: A Study of the Role of Government in the American Economy, Massachusetts 1774-1861* (Cambridge: Belknap Press of Harvard University Press, 1969 ed.); and Louis Hartz, *Economic Policy and Democratic Thought: Pennsylvania, 1776-1860* (Cambridge: Harvard University Press, 1948).

[12] See John Larson, *Internal Improvement: National Public Works and the Promise of Popular Government in the Early United States* (Chapel Hill: University of North Carolina Press, 2001), and Frank Bourgin, *The Great Challenge: The Myth of Laissez-Faire in the Early Republic* (New York: George Braziller, Inc., 1989).

[13] Jack Rakove, "Review of *Peripheries and Center: Constitutional Development in the Extended Polities of the British Empire and the United States, 1607-1788*, by Jack P. Greene," *The Journal of Southern History* 54, no. 1 (February 1988), 95-96.

believed that creating an effective federal system meant duplicating the benefits but not the drawbacks of the old imperial center. They imagined a new seat of government where federal officials would work to balance and advance the economic interests of the several states and counteract union instability without violating the liberties of the republic's citizens. In order to carry out these functions, this seat of government would have to act as neutral ground where lawmakers could debate and resolve disputes without local or regional prejudices overwhelming the preferences of the other parts of the republic. At the same time, this center city needed to serve as a base of power from which federal authorities could enforce the laws and agreements made by the republic's representatives. Only a seat constructed by the central government was likely to embody all these characteristics, but in order to raise funds for such a building project people in the vicinity of the federal district had to believe they would benefit from the federal presence. Securing their support raised the possibility that the federal seat might appear to be (or actually be) corrupted by local interests, a circumstance reminiscent of the old empire that would cast doubt on the legitimacy of the new federal system.

No issue more aptly exemplifies the paradox of the American union and the quandary facing centralist leaders than the creation of the seat of government. They hoped to use federal power to more closely connect the union's disparate parts and competing interests, but the use of such power raised suspicions about the motives of political leaders that tended to derail their efforts. In order to mitigate this skepticism and build a political coalition large enough to enact legislation, lawmakers bundled together policies that benefited multiple constituencies. The famous Compromise of 1790 was the first of these agreements under the new constitution. The resulting Residence Act of 1790, which specified a seat of government on the Potomac, was once viewed by historians as the final resolution of the republic's struggle over the federal seat.

Recent histories of Washington, D.C., have recognized that the Residence Act did not resolve these issues and the disagreements which had delayed Congressional action on the federal seat persisted for decades. These obstacles risked derailing the city's construction and development, and long after the federal government moved to the Potomac, competition from other jurisdictions and disappointment with Washington City's growth fueled debate over the federal seat's location. As a result of the long persistence of these issues, the shortcomings of the original plan and progress of the Federal City have come to dominate its history. These perspectives have illuminated many of the factors which influenced America's political and economic development, circumstances that had been obscured by a focus on party politics and disagreements about slavery. But these valuable accounts have not explained how and why Washington, D.C., remained the federal seat of government in the face of ongoing opposition and competition. In order to fully understand the history of the early American republic, we must understand the expectations that underpinned the creation of the Potomac seat of government, and what they portended for the long-term governance of the young republic.

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Few development projects in history have had an advocate as thoroughly dedicated and politically savvy as George Washington. Washington had long envisioned a commercial center growing up on the Potomac River below the fall line that would serve as an eastern terminus for goods shipped from the continent's interior. Situating the federal seat of government in the vicinity of Alexandria, Virginia, seemed an ideal way to anchor the development of this entrepôt. Washington was also keenly aware of the financial challenges posed by such a plan.

North America offered land in abundance but presented few avenues for turning real property into the liquid capital needed to undertake and complete large-scale public works projects. Longstanding obstacles to North American economic growth – high wages, scarce and diffuse capital, and difficult terrain that made transportation costly.[14] The construction of the federal seat was the first great test of the U.S. government's ability to mobilize capital to finance building projects.

In order to construct the Potomac seat, Washington recruited the assistance of the Potomac's wealthy merchants and landowners in an effort to secure private capital to construct the public buildings. Men like George Walker, Samuel Davidson, Daniel Carroll of Duddington, Benjamin Stoddert, Uriah Forrest, and Thomas Johnson were important early and enthusiastic boosters for the Potomac project. Over time, their efforts were joined by neighbors, associates, and speculators like Robert Morris, John Nicholson, Thomas Law, John Mason, Robert Brent, Thomas Munroe, and John Van Ness.

The willingness of these men to risk their financial and political resources on a public project for the prospect of personal gain was critical to recruiting support for the Potomac seat from the states of Maryland and Virginia and eventually from the federal government. This system of using the prospect of federal largesse to encourage and coordinate incremental and

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[14] On production factor prices in North America on the eve of Washington's founding, see John McCusker and Russell Menard, *The Economy of British America, 1607-1789* (Chapel Hill: University of North Carolina Press for the Omohundro Institute of Early American History and Culture, 1985), chap. 3.

reciprocal contributions from interested parties to infrastructure investment became a defining feature of federal governance during the early years of the republic and beyond.

Despite this success, the competing interests and cross-purposes lurking beneath the surface of these partnerships made them fractious and difficult to manage. This was particularly true when the talents of brilliant but unpredictable men like Peter Charles L'Enfant and Benjamin Henry Latrobe mixed with the egos and ambitions of wealthy proprietors and voluble politicians. The controversies these relationships engendered highlighted the deficiencies inherent in relying on the resources and preferences of a center city to govern over vast distances. Lawmakers concerned about the future of the Potomac seat and the danger its weaknesses posed to the integrity of the union worked to end these limitations. As Washington City and the District of Columbia grew, officials like James Monroe, William Smith, John Love, and Charles Fenton Mercer built on the policy successes of their predecessors to guide and encourage the District's growth. In the process, they secured its place as the seat of government, and turned the District of Columbia into a tool to encourage and guide the economic development of the union.

As a result of these actions, a powerful center city, not an irrelevant embarrassment, emerged on the banks of the Potomac. The result was a large, centrally located, politically and commercially independent permanent seat of government under exclusive federal jurisdiction. This neutral site bestowed legitimacy on the debates and decisions about contentious questions like the terms of trade, taxation, finance, and the allocation of federal revenues.[15] This enabled American leaders to extend and strengthen the agreements and compromises reached during the republic's founding era and provided them with a base of power to enforce the decisions made at the federal seat. The old imperial center had divided the realm and proved unable to repair the damage. Americans hoped their federal seat would unite and sustain their new republic.

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[15] Several scholarly works have demonstrated that the federal government frequently worked indirectly or unofficially to realize policy objectives. See Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth-Century America* (New York: Cambridge University Press, 2009).

Chapter 1

The Seat of Government and America's Capital: Funding the Construction of the Federal City

The Compromise of 1790 was a pivotal political event in the formation of the United States and the story of three of the nation's founders striking a pivotal bargain over dinner has long been a favorite anecdote among historians of the early republic. The compromise addressed two issues that had divided lawmakers throughout the Confederation years and demonstrated that government under the new constitution could produce policy outcomes that benefited the republic's far-flung and competing factions.[16] Despite the deal, the acts implementing the agreement passed Congress by close margins and many officials remained committed to changing the provisions of the legislation or blocking their implementation. A revenue regime to fund the operations of government and the assumed state debts was created by the revenue acts of 1789 and 1791. Funding construction of the seat of government proved a much thornier issue as some leaders worked to undermine the prospective Potomac seat in order to secure federal headquarters for their constituencies or circumscribe central power by preventing the general government's permanent settlement.

At stake were the benefits of the federal presence, which many Americans expected would be lavish. The federal government's power to regulate commerce, collect revenues, and issue debt would bring people and capital to its seat. "It would be the interest of the citizens of

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[16] The Compromise of 1790, which included passage of the Residence Act, is discussed in most writings on the political history of the 1790s. Specific accounts include Bowling, *The Creation of Washington, D.C.*, especially 182-207; Norman Risjord, "The Compromise of 1790: New Evidence on the Dinner Table Bargain," *William and Mary Quarterly*, 3rd ser., 33, no. 2 (April 1976), 309–314; Jacob Cooke, "The Compromise of 1790," *William and Mary Quarterly*, 3rd ser., 27, no. 4 (Oct. 1970), 523–545, with a response by Kenneth Bowling.

that district, to aggrandize themselves by every possible means in their power," warned Virginia's William Grayson, and their proximity to federal headquarters enhanced the means at their disposal.[17] These endowments could decide the terms of trade and capital supply, creating an overbearing metropolis to overwhelm the limits placed on the general government.

Many centralist lawmakers argued a secure union required an economically robust metropolis with trade connections throughout the republic and capital sufficient to meet the fiscal demands of governing over vast distances. [18] Some argued a powerful seat, if judiciously chosen, would enhance rather than undermine liberty. "The Government will receive a tone & complexion from the Circumambient air in which it is placed," declared Benjamin Rush, advocating Philadelphia's Quaker and republican sensibilities over New York's monarchist sympathies.[19] Centralists concerned about the durability of the union were more skeptical of local influence. Pennsylvania's William Bingham cautioned that just the prospect of partiality would "discompose the Harmony of the Union," and cause it to "commence in Distrust, proceed with jealousy, & possibly terminate in Discord."[20] To avoid this, the city's power and influence had to be yoked in service of the central government, not preponderant over it.

Exclusive federal jurisdiction and geographic centrality offered solutions to concerns about local favoritism, but the policies implementing these principles could produce centralist

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[17] *The Documentary History of the Ratification of the Constitution Digital Edition*, *Ratification by the States*, vol. 10: Virginia, no. 3, John P. Kaminski, et. al., eds. (Charlottesville: University of Virginia Press, 2009), 1319.
[18] See for example Joel Achenbach, *The Grand Idea: George Washington's Potomac and the Race to the West* (New York: Simon & Schuster, 2005); Kenneth R. Bowling, *Creating the Federal City, 1774-1800: Potomac Fever* (Washington, D.C., 1988), 23-38; and Corra Bacon-Foster, *Early Chapters in the Development of the Patomac Route to the West* (Washington, D.C.: Columbia Historical Society, 1912).
[19] Charlene Bangs Bickford, et al., eds., *Documentary History of the First Federal Congress*, vol. 15, (Baltimore: Johns Hopkins University Press), 79.
[20] Smith, et al., *Letters of Delegates to Congress* vol. 25, William Bingham Daft Resolution, 6 August 1788, 272-73.

or decentralist outcomes. The Constitution provided for a district measuring up to 100 square miles under exclusive Congressional jurisdiction.[21] Jurisdiction exclusive of political influences inside or surrounding the district offered the hope of impartiality, but also presented the prospect of a seat with no constituency besides a Congress skeptical of its existence. So long as this skepticism blocked funding, the federal government would depend on local interests keen to capture the benefits of the governmental center. As Publius, James Madison had warned that leaving the federal government to rely on local resources would engender "an imputation of awe" over the national government that would "abridge its necessary independence."[22] Central location was similarly complicated. Historian Rosemarie Zagarri has demonstrated that Americans thought proximity to the polity's legislative headquarters conveyed significant representational advantages.[23] This meant that a geographically central seat offered the best chance at equal representation, upholding what South Carolina's Pierce Butler called the "Conviction of equality" that underpinned the union.[24] A central seat would, in William Bingham's words, satisfy "the general Wishes, & consult the mutual Convenience of the Union." Critically, it would also be "best situated, to preserve the Confederacy by Suppressing

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[21] See Bowling, *Creation of Washington, D.C.*, 74-85, for an overview of the residency debate.
[22] *The Federalist* 43, Clinton Rossiter, ed., *The Federalist Papers* (New York: Mentor, 1961), 272. The best explication of Madison's meaning is Judith Best, *National Representation for the District of Columbia* (Frederick, Md.; University Publications of America, 1984), 13-23. Other accounts have concluded Madison referred to District self-government. See Friedrich Horlacher, "Washington, D.C. and the American Constitution," in Lothar Honnighausen and Andreas Falke, eds., *Washington, D.C.: Interdisciplinary Approaches* (Tubingen, Germany: Francke Verlag, 1993), 14-17, and Wolfgang Welz, "Washington, D.C.: From America's Last Colony to the 51st State of the Union," ibid., 26-27.
[23] Rosemarie Zagarri, *The Politics of Size: Representation in the United States, 1776-1850* (Ithaca: Cornell University Press, 1987), especially 17-23, 26-31, 82-104.
[24] DePauw et. al., *Documentary History* vol. 9, 458. On the significance of centrality, see Rosemarie Zagarri, *The Politics of Size: Representation in the United States, 1776-1850* (Ithaca: Cornell University Press, 1987), 17-23, 26-31, 82-104.

Faction, guarding Internal Tranquility, & repelling external Invasion," cementing federal authority over the extremes of the extended republic.[25] But these benefits would prove evanescent if equality prevented decisive action or if the central location chosen was a remote and rural village.

In 1784, the absence from Congress of three states' delegations facilitated a rare moment of consensus, and legislators voted to build permanent seat in New Jersey on the Delaware River south of Trenton and to authorize $100,000 for its construction. In addition, Congress voted to move to and remain in New York City until the new seat of government was completed. This decisive action burnished the Confederation's tarnished reputation for effective governance, but the patina was smudged the following year when Congress deadlocked over actually appropriating any of the money authorized for government enjoyed a but an effort the following year to appropriate funds to construct public buildings there had failed. In July 1788 Congress, which had been meeting since 1785 at what was supposed to be its temporary seat in New York City, began to debate where the First Congress under the Constitution would assemble. No consensus had emerged on a permanent location for the federal seat. Early in the debate, Baltimore was as a surprise choice before perennial contenders Philadelphia and New York City resurfaced as the most likely meeting places. After weeks of disagreement, Congress opted to remain in New York for the first meeting of the federal Congress.

Many of Potomac project's liabilities were codified in the Residence Act of 1790. The law specified a permanent seat on the Potomac somewhere between the mouths of the Conococheaque Creek and the Eastern Branch and left the details of its creation to George

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[25] Smith, et al., *Letters of Delegates to Congress* vol. 25, 273.

Washington's administration through a presidential commission. This was a victory for Potomac interests, but to garner the votes necessary for passage the law gave decentralists and competing centralist factions hope their aims might ultimately prevail. The measure authorized appropriations to transport the federal government to the Potomac, but did not fund the public buildings. It cast doubt over the finality of the Potomac selection by requiring that Congress govern from Philadelphia before moving to its new seat in 1800. During that 10-year layover, states ceding land for the District would retain sovereignty over their former territory. This left lawmaking authority over the Federal City to a Maryland legislature populated by a growing Baltimore faction with its own designs on the federal seat. Long after Residence Act passage, leaders from this and other cities campaigned to secure the federal seat.[26]

But the Potomac location offered both centralists and decentralists hope the issues surrounding the federal seat might ultimately resolve in their favor. The Potomac's centrality and distance from existing commercial cities boosted prospects for a neutral seat of government but added to the project's financial challenges. Internal improvement – building infrastructure – in the United States posed a difficult challenge. America's land-abundant, high wage, specie scarce economy had long militated against the formation of large urban areas. These conditions were especially acute in the Potomac region. Just a few small commercial towns dotted the river corridor, none of which included funding sources or significant numbers of laborers skilled in

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[26] Act of July 16, 1790, *United States Statutes at Large,* vol. 1, 130. On Congressional efforts to move the federal seat, see for example Annals of Congress 1804, 281-82; Annals of Congress 1808, 1531-78; Annals of Congress 1814, 311-322. Several studies have been published about "federal" buildings in other cities. See for example Diane Stillman, "Six Houses for the President," *Pennsylvania Magazine of History and Biography* 129, no. 4 (Oct. 2005), 411-431.

the building trades.[27] Forests, fields, and commercial towns offered few manufacturing or materiel resources conducive to urbanization. Detractors were confident these economic liabilities combined with political opposition would check or prevent construction.[28] As Massachusetts lawmaker Benjamin Goodhue observed, "the Potomac scheme is so absurd that very few expect Congress will ever go there—but continue in Philada."[29] To overcome these liabilities, Potomac centralists had to find ways for the federal government to encourage city construction without engendering charges of parochialism.

For decentralists opposed to any permanent seat, a small town with little economic influence seemed the best outcome they could reasonably expect considering the decisions made at the Constitutional Convention and during the First Federal Congress. For centralists from rival cities, a weak Potomac seat offered an opportunity to reopen debate over the location of the federal seat or gain advantage over it in national governance. Potomac centralists were

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[27] On production factor prices in North America on the eve of Washington's founding, see John McCusker and Russell Menard, *The Economy of British America, 1607-1789* (Chapel Hill: University of North Carolina Press for the Omohundro Institute of Early American History and Culture, 1985), chap. 3.

[28] For an overview of wage and capital supply conditions in eighteenth-century North America, see John J. McCusker and Russell R. Menard, *The Economy of British America, 1607-1789.* (Chapel Hill, N.C., 1985), 247-49. On Potomac regional wages see Donald R. Adams, Jr., "Prices and Wages in Maryland, 1750-1850,"*Journal of Economic History* vol. 46, no. 3 (Sept., 1986), 625-45, and "Prices and Wages in Antebellum America: The West Virginia Experience," *Journal of Economic History* vol. 52, no. 1 (March, 1992), 206-16. Difficulties obtaining construction materials are more difficult to quantify. On problems securing timber and lumber see, for example, Commissioners to Henry Lee, 12 March, 10 August 1795 and 13 June 1797; to Parrott & Blake, 3 May 1796; to John Alderson, 23 May 1796; to Cooke & Brent, 24 Oct. 1796. On stone procurement, see Commissioners to William Wright, 1 Sept. 1792; to James Smith, 29 Oct. 1794; to Reid & Smith, 18 Dec. 1794, 17 Jan., 8 May and 14 May 1795; to William O'Neale, 23 April 1795; to Cooke & Brent 16 May 1796, 21 April 1797; to William Brent, 12 May 1797. On metalwork supplies, see Commissioners to Graham, Haskins, & Co., 5 June 1798; to George Grundy, 25 June 1798; to Stansbury and Drinker, 20 Aug. 1798. For glass procurement, see Commissioners to Rhodes and McGregor, 15 Aug. 1798; to William Hodgson, 22 and 29 July and 1 Aug. 1799; to Solomon Cotton & Co., 25 July 1799; and to Isaac Harvey, Jr., 1, 9, and 28 Aug. 1799, RDCC Letters Sent.

[29] Charlene Bangs Bickford, et. al., *Documentary History of the First Federal Congress* vol. 20 (Baltimore: Johns Hopkins University Press, 2012), 2009.

confident the river conduit and its central location gave their region an advantage, but they were also cognizant of the fact that several prosperous commercial cities – Philadelphia, New York, and the upstart Baltimore in particular – claimed similar endowments and remained keenly interested in becoming the federal seat. Under these circumstances, Potomac boosters knew they had to find ways to secure local, state, and especially federal government funds for city construction without engendering fears of the kind of parochialism that had ripped apart the old empire.

Fears that the center city would manipulate the levers of federal power for the benefit of the seat of government made it impossible for lawmakers to take unilateral action to build the seat of government. In order to create a powerful center city, officials coordinated incremental and reciprocal commitments from the parties interested in securing the federal seat. Town planning and architectural design created an urban real estate market that attracted capital investment. When this funding fell short, the web of obligations, expectations, and influence fashioned by the financing plan compelled Congress to claim the Potomac seat. In 1796, the House of Representatives agreed to support Jay Treaty funding in order to secure Senate passage of a loan guarantee for the Potomac project. By underwriting the risks of public investment, Congress mobilized the capital needed to construct the era's most controversial infrastructure project. This action secured the union by extending and expanding the agreements and compromises struck during the republic's founding, establishing a system of reciprocity for determining continental economic policy. These decisions carved out a vital role for the federal government in economic development and created for the first time a large, centrally located, politically and commercially independent permanent seat of government under exclusive federal jurisdiction. [30]

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Following passage of the Residence Act, federal officials, Maryland and Virginia leaders and Potomac landowners negotiated the provisions organizing the seat of government. Thomas Jefferson reviewed the project's revenue prospects – "future grants of money by Congress which it would not be prudent to count upon—of State grants—of private grants—or the conversion into money of lands ceded for public use" – and concluded that "latitude" in interpreting the word "use," offered the best hope for funding, provided "the spirit & scope" of the Residence Act justified it.[31] George Washington knew that economic development in America generally and the Potomac region specifically depended on the support of the "monied Gentry," but that these men would have to be "tempted by lucrative views" to participate "largely on Acct of the high Interest" they might earn.[32] Predictions about the size, wealth, and power of the future seat of government circulated widely. Men like George Walker predicted the federal seat would become one of "the largest and richest commercial cities perhaps in the

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[30] Several scholarly works have demonstrated that the federal government frequently worked indirectly or unofficially to realize policy objectives. See Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth-Century America* (New York: Cambridge University Press, 2009).
[31] Jefferson Note, 29 Nov. 1790, Saul K. Padover, ed., *Thomas Jefferson and the National Capital, 1783-1818* (Washington, D.C.: United States Government Printing Office, 1946), 33.
[32] George Washington to Thomas Johnson, 20 July 1770, *The Papers of George Washington Digital Edition*, Edward G. Lengel, ed. (Charlottesville, 2007), URL: http://rotunda.upress.virginia.edu/pgwde. Hereafter cited as PGWDE.

world."[33] Endorsing and promoting these predictions offered the best hope to leverage capital needed to overcome the project's liabilities.

In mid-September 1790, Thomas Jefferson visited with landowners in Georgetown to discuss their willingness to cooperate in the transfer of their land to the U.S. government for use as the federal seat. That October, Washington toured the region designated by the Residence Act to determine, ostensibly, the best possible city site. Starting at Georgetown, he made his way west to the sparsely populated mouth of the Monocacy River, then moved on to more established settlements at Sheperdstown, Virginia and its mirror city Sharpsburg, Maryland, as well as Elizabethtown (present-day Hagerstown), and Williamsport, near the mouth of the Connogochegue.[34] Along the way he discussed with residents the possibility of situating the federal seat in their area and indicated that its location was still an open question.

Washington inquired after terms at the sites he visited, but did not engage in serious discussions with locals about locating the capital upriver from Georgetown.[35] It is unlikely that Washington seriously considered situating the Federal District anywhere besides the area between Georgetown and the Potomac's Eastern Branch. More likely he was following James Madison's advice that Washington "inform himself of the several rival positions; leaving among them inducements to bid against each other in offers of land or money."[36] Similarly, Jefferson had suggested tying investors' financial interests to the success of the future city by telling them

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[33] *Maryland Journal and Baltimore Advertiser*, 23 Jan. 1789. Kenneth R. Bowling, "The Other G.W.: George Walker and the Creation of the National Capital," *Washington History* vol. 2, no. 2 (Fall/Winter 1991/1992), 4-21, provides a full exposition of the developmental hopes of Walker and other federal city boosters.

[34] Washington's trip is partially cataloged by correspondents in the various locales interested in the bringing the city to their town. See Washington to the Elizabethtown, Md., Citizens, 20 October 1790, and his Agreement with the Georgetown, Md., Property Owners, 13 October 1790, *PGWDE.*

[35] Memorandum from James Madison, 29 August 1790, *PGWDE.*

[36] James Madison Memorandum to George Washington, 29 August 1790, PGWDE.

"'I will fix the town here if you will join and purchase and give the lands.'" This way, speculators would provide free land in exchange for the benefit of seeing "their own circumjacent lands" rise in value after the federal buildings were situated.[37] In advice that reflected a shared understanding of the motivations and inconstancy of the landed gentry, Jefferson suggested Washington structure any transaction to "become ipso facto absolute in favor of the U.S."[38]

At a September 1790 meeting in Georgetown, Jefferson suggested the owners of the land between Rock Creek and the Eastern Branch donate land for public sale and construction sites. At that conference, proprietor George Walker suggested the landowners cede to the government one-half of all their property in the future Federal District. At least one large property-man, Daniel Carroll of Duddington, was notably skeptical about the idea. Jefferson suggested the government show "moderation" and wait to see if "experiment should prove other resources inadequate" to obtaining the necessary real estate before pursuing such a plan.[39] Several town and states, including Maryland and Virginia, had offered during debate over the federal seat to provide funds for public buildings. In December 1790, Maryland lawmakers approved legislation donating $72,000 and 130 acres of land and Virginia allocated $120,000.[40] With state participation confirmed, George Washington set the boundaries of the Federal District on January 21, 1791. In accordance with Jefferson's diagrammed advice, Washington

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[37] Draft Agenda for the Seat of Government, 29 August 1790, *The Papers of Thomas Jefferson,* vol. 17, Julian Boyd, et al, eds., (Princeton: Princeton University Press, 1950-), 460. Hereafter cited TPTJ.
[38] Jefferson Note, 29 Nov. 1790, Padover, *Thomas Jefferson and the National Capital*, 32.
[39] Jefferson's Report to Washington on the Meeting Held at Georgetown, 14 September 1790, PGWDE.
[40] On the Maryland and Virginia donations see John Eager Howard to George Washington, 22 January 1791, and Beverly Randolph to George Washington, 15 February 1791, PGWDE, and *Statutes at Large of Virginia* 13, William Waller Hening, ed. (New York, Richmond, and Philadelphia: William Waller Hening, 1819-23), 125. Hereafter cited as Hening, *Statutes*.

laid out the District in a diamond pattern situated to maximize the territory and population from both states taken under federal jurisdiction. This included Georgetown, Md., and the entirety of Alexandria, Va., even though part of the Virginia town lay outside the parameters of the Residence Act. The president requested and Congress agreed to extend the District's southernmost corner to within ten miles of his own Mount Vernon estate.[41] Washington appointed three influential local boosters – physician David Stuart, stepfather to Martha Washington's grandchildren, former Maryland governor Thomas Johnson, and Maryland Congressman Daniel Carroll (uncle of the proprietor) – to a Board of Commissioners for the future Federal City. Georgetown merchant and Maryland legislator William Deakins was appointed Treasurer to the Board. [42]

With the boundaries of the District set, two related issues remained outstanding, the placement of the public buildings and financing for their construction. Despite past funding difficulties, the previous year's tariff revenues had produced a surplus, and James Madison retained some hope that a direct appropriation of these funds, about $500,000, could be used "to defray the expence of the federal buildings."[43] This strategy proved unsuccessful, and Washington, aware that the best hope for construction funding was securing it from individual investors, moved forward with planning the city. Great expectations about the buildings' tendency to attract residents and commerce meant clever placement could ensure substantial

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[41] Proclamation creating the Federal District, 24 January 1791, PGWDE; and Act of March 3, 1791, *United States Statutes at Large*, vol. 1, 214-15.
[42] On the positions and influence of Washington's appointees, see William C. DiGiacomantonio, "All the President's Men: George Washington's Federal City Commissioners," Washington History 3, no. 1 (Spring/Summer 1991), 52-75.
[43] William Smith to Otho Holland Williams, 24 Jan. 1791, Williams Papers, Maryland Historical Society, from an unpublished transcript at the Papers of the First Federal Congress.

private investment. With this goal in mind, Washington (via Jefferson) asked French-born architect and Continental Army artillery officer Peter L'Enfant to survey the area between Rock Creek and the Eastern Branch. L'Enfant's review gave birth to his famous city plan.

Georgetown, Alexandria, and the Federal City – the area around the public buildings – would remain separate municipalities within the District of Columbia. Near the end of March, 1791, L'Enfant shared his ideas with the president and area landowners. The L'Enfant plan promised to turn all the proprietors' undeveloped land – 6000 acres – into valuable urban real estate. This was a bold claim considering the settled areas of America's largest cities covered just two or three square miles. The proprietors were so impressed by L'Enfant's presentation they put apprehension aside and joined the government in a property sharing arrangement that bound their fortunes to the Federal City.[44]

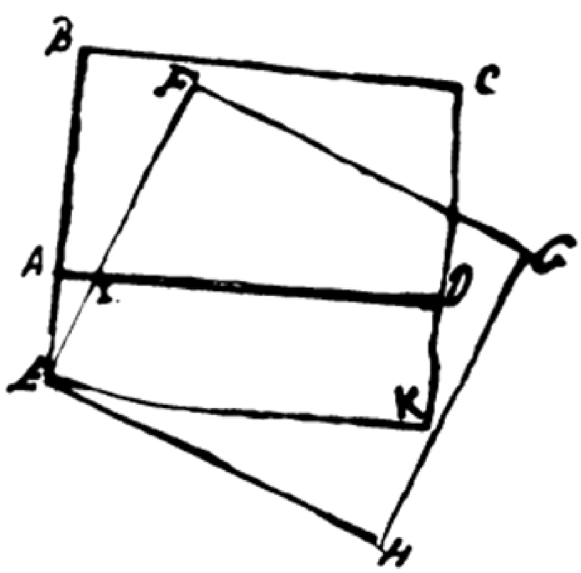

Figure 1: Thomas Jefferson suggested George Washington position the Federal District to maximize its population from both Maryland and Virginia. Thomas Jefferson Memorandum to George Washington, 11 March 1793, *PGWDE*.

[44] Bowling, *Creating the Federal City*, 98-99, discusses competition between factions of District landowners.

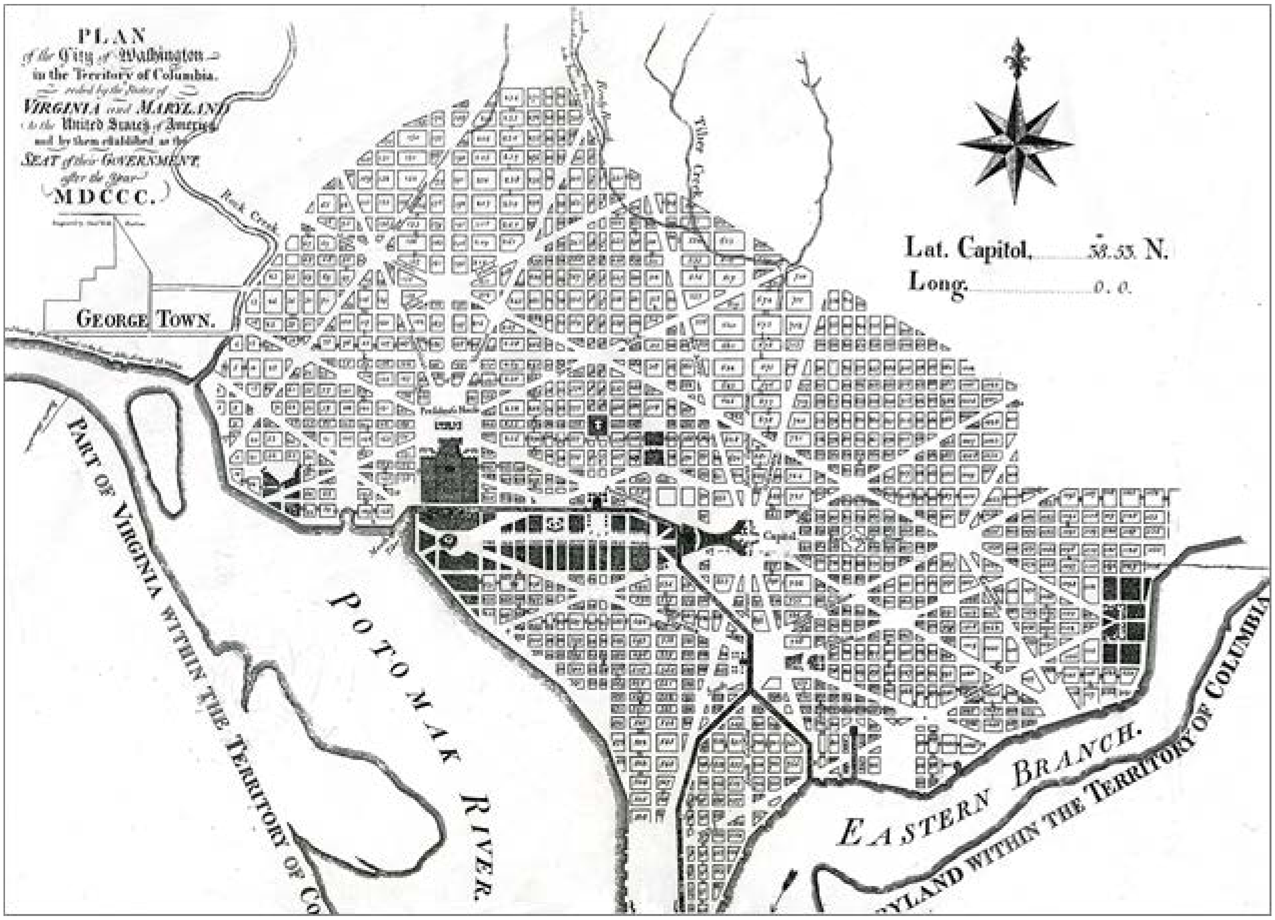

Figure 2: Plan of Washington City by Andrew Ellicott from Peter Charles L'Enfant's Design. Engraving by Samuel Hill of Boston.

There have been many purposes assigned to L'Enfant's plan, but it was originally intended to push property values upward by multiplying and extending the pecuniary effects of the public buildings and spaces.[45] The plan separated and sited the buildings at the city's "principal points" and networked them together with "grand avenues" up to 160 feet wide.[46] The public buildings' large size and location atop the principal points increased their visibility and consequently their perceived propinquity to individual city lots. This "reciprocity of sight"

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45 Memorandum of Peter L'Enfant to GW, 26 March 1791, PGWDE.

46 Harris, "Washington's Gamble, L'Enfant's Dream," 550-56, argues that the buildings were designed to broadcast federal strength.

effect made property along the grand avenues seem an "adition to the principal" rather than lost in the vast Federal City. By creating a hierarchy of valuable property the plan promised systematic and "rapid agrandissment & settlement" starting with the most valuable lots.[47] Importantly, the plan's central features acted as counterweights to the territory's riverfront real estate, which were generally expected to attract the most investment and settlers. By promising to channel development and its financial gains through every proprietary tract in the city, L'Enfant united the competitive and fractious landowners behind the plan.[48]

Implementing L'Enfant's design was important, but it was just as valuable as a promotional marketing tool. The plan was aimed not just at the proprietors but at land speculators throughout the United States and beyond. Scholar Sarah Luria has called the plan's lot divisions and the deeds that accompanied them a form of stock in the new republic created out of the landscape of America's central public space.[49] The benefits of this commodification emerged slowly over the early years of city history. The plan's more immediate success was convincing area landowners to buy into the federal seat in greater breadth and depth than anyone initially expected.

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[47] Peter L'Enfant to George Washington, 22 June 1791, PGWDE. John W. Reps, Monumental Washington: The Planning and Development of the Capital Center (Princeton, N.J.: Princeton University Press, 1967); John W. Reps, Washington on View : The Nation's Capital Since 1790 (Chapel Hill, N.C.: University of North Carolina Press, 1991).

[48] Rubil Morales Vazquez, "Monuments, Markets, and Manners: The Making of the City of Washington, 1783-1837" (Ph.D. Dissertation, Rutgers, 1999), 61-72, discusses urban market formation. Scott W. Berg, *Grand Avenues: The Story of the French Visionary Who Designed Washington, D.C.* (New York: Pantheon, 2007), 101-5, discusses L'Enfant's expectations about patterns of city settlement.

[49] Sarah Luria, *Capital Speculations: Writing and Building Washington, D.C.* (Lebanon, N.H.: University of New Hampshire Press, 2005).

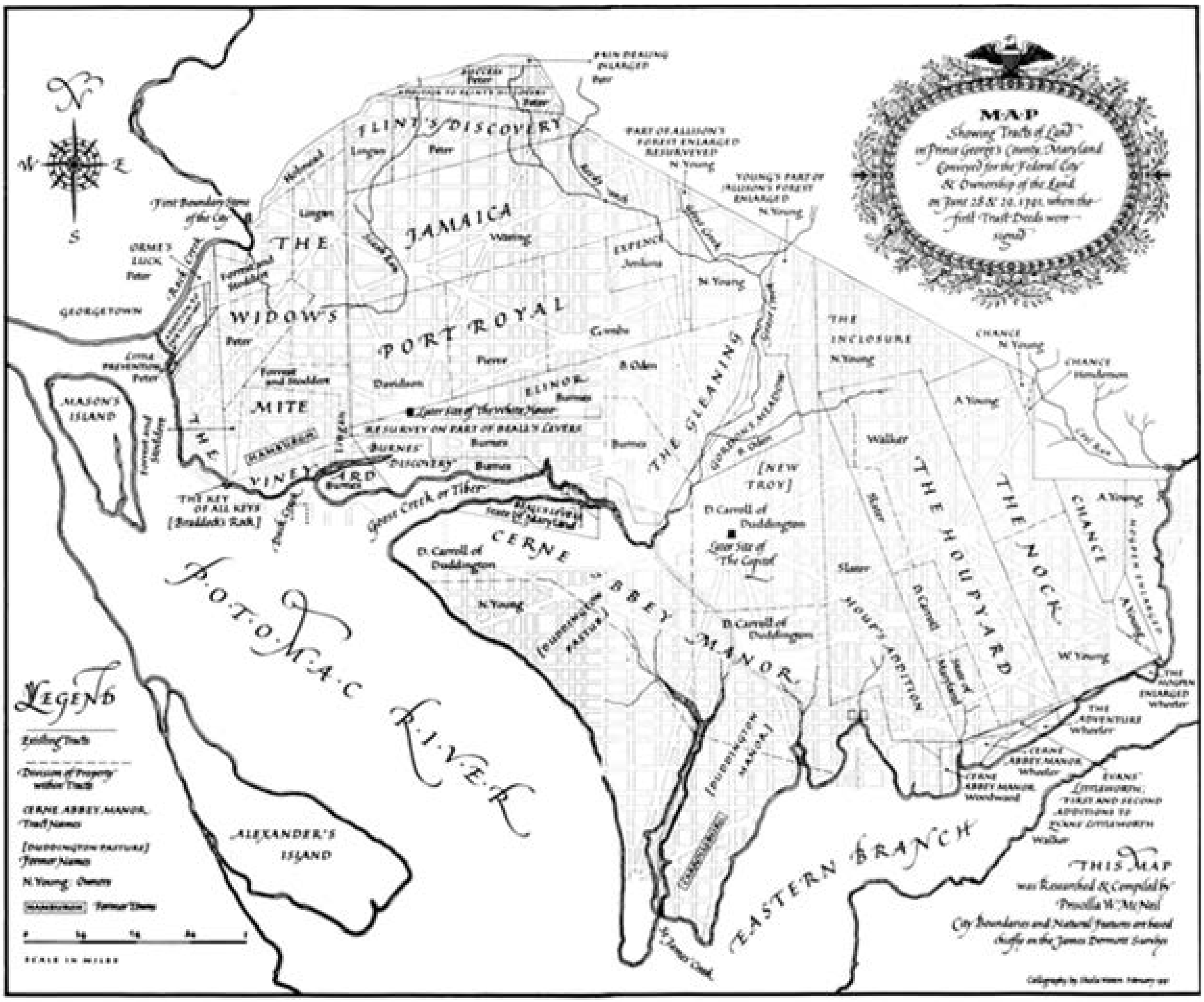

Figure 3: The Original Proprietors Tracts in Washington City by Patricia McNeil. Washington History vol. 3, no. 1 (Spring/Summer 1991), 42-43.

A deed of trust codified the federal-proprietary partnership and gave the parties a future interest in completing L'Enfant's design. Nineteen proprietors eventually committed to this "Union of Interests."[50] Two Georgetown proprietors, Thomas Beall of George and John Gantt, agreed to act as trustees on behalf the government, titular administrators of the city's land

[50] Robert Peter, Notley Young, James Lingan, Uriah Forrest, and Benjamin Stoddert to the Commissioners of the Federal District, 14 April 1791, Records of the District of Columbia Commissioners and of the Offices Concerned with Public Buildings, 1791-1867, National Archives, Washington, D.C. Hereafter cited as RDCC.

pending fulfillment of the agreement. The contract's provisions were structured to encourage cooperative development of the city by making city lots "a joint property" of the government and proprietors. Proceeds from sales of the federal government's half of the lots were earmarked to finance federal construction. The proprietors were entitled to compensation of £25 ($72) per acre and for improvements on land taken for public buildings and squares.[51] Tracts remained subject to the deed of trust until divided into lots.[52] Several of Georgetown's proprietors already owned or were in the process of purchasing tracts in the future Federal City.

In June 1791, L'Enfant completed a full draft of his plan, and the president and city commissioners scheduled the first public sale of lots for October 17, 1791.[53] L'Enfant made clear he thought an October auction was premature. Too many tasks remained incomplete. The plan had to be finished, engraved, and printed. The principal points, streets, and squares had to be surveyed, marked, and cleared. Poor preparation might produce cheap sales, setting a dangerous precedent. Base speculators "wanting means" might acquire the choicest properties, sidelining people with funds and an "Inclination to Improve." Even worse, low prices would

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[51] Agreement of the Proprietors of the Federal District, 30 March 1791, PGWDE. Memorandum for Thomas Jefferson with Jefferson's Answers and Notes, c. 27 August-8 September 1791, PGWDE; Queries for the D.C. Commissioners, 28 August 1791, TPTJ, vol. 22, 89-91. Separate agreements were later struck with the proprietors of the defunct Hamburgh and Carrollsburgh speculative ventures. See John W. Reps, *Tidewater Towns: City Planning in Colonial Virginia and Maryland* (Charlottesville: University of Virginia Press for the Colonial Williamsburg Foundation, 1972), 247-51, for a brief history of these "paper towns."

[52] Agreement of the Proprietors of the Federal District, 30 March 1791, ibid. All compensation in pounds is Maryland currency. Currency conversions follow John J. McCusker, *How Much Is That in Real Money? A Historical Commodity Price Index for Use as a Deflator of Money Values in the Economy of the United States*, 2nd ed. (Worcester, MA: American Antiquarian Society, 2001).

[53] Commissioners for the District of Columbia to George Washington, 30 June 1791, PGWDE; Proceedings, 30 June 1791, RDCC.

mean those "in baltimor and other places unfriendly" could buy lots and sabotage city development with inaction. If prime real estate adjacent to the grand avenues, public structures and squares was purchased by people unable or unwilling to build, the emptiness would depress real estate prices.[54]

Washington, Jefferson, and the commissioners disregarded L'Enfant's objections. The challenge posed by Philadelphia to the Potomac seat loomed larger than ever. The Bank of the United States (BUS), founded in February 1791 with a twenty-year federal charter, seemed certain to make Philadelphia the continent's financial center. The BUS was statutorily required to act as the federal government's depositor of revenues and lender of first resort. Many of the benefits expected to accrue to the federal seat would instead flow to BUS headquarters, including capital for the public and private improvements requisite for an effective federal center.[55] Massachusetts Congressman Fisher Ames thought these concerns underpinned James Madison's opposition to the bank. "So many interests will be centered here," Ames wrote from Philadelphia, "that it is feared that, ten years hence, Congress will be found fast anchored and immovable."[56] In August and September 1791, Pennsylvania's legislature, not content to wait for these benefits to materialize, passed legislation to fund construction in Philadelphia of an executive mansion for George Washington.[57]

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[54] Peter L'Enfant to George Washington, 19 Aug. 1791, PGWDE.
[55] See Kenneth R. Bowling, "'The Bank Bill, the Capital City and President Washington," *Capitol Studies* 1, (1972).
[56] Fisher Ames to George Minot, 17 Feb. 1791, Papers of Fisher Ames, Harvard University, Cambridge, Mass., unpublished transcription at Documentary History of the First Federal Congress, Washington, D.C.
[57] On the executive mansion see Tobias Lear to George Washington, 21, 25, and 30 September 1791, and George Washington to Tobias Lear, 26 September 1791, *PGWDE.*

In contrast, land was the Potomac project's only source of finance besides the Maryland and Virginia donations. A sale on advantageous terms was vital. In September, Jefferson met with the commissioners to discuss building regulations and funding provisions, including whether it was "necessary or prudent to attempt to borrow money to carry on the difficult works in the City." They determined a loan might be too controversial without Congressional authorization, but in any case was impossible until "a sale shall have settled something like the value of the lots which are to secure repayment." They also settled on a name – "the City of Washington, in the Territory of Columbia."[58]

Perhaps predictably given rushed circumstances, the October sale was a messy affair that demonstrated the challenges of pursuing a market-based development strategy on a limited budget. Time, complications, and possibly the animosity of Philadelphia's artisans had conspired to prevent engraving and printing the city plan.[59] L'Enfant, still indignant about the timing of the event, refused to show his original design to potential buyers. Heavy rain prevented on-site marketing. City boosters intervened to avert disaster. The commissioners anonymously purchased four lots and some of the proprietors bought parcels in prime locations outside their existing tracts.[60] Thirty-one lots sold at an average price of £96.7.9 ($260).[61] This brought in some revenue and established a price for city property that allowed President

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[58] See Washington and Jefferson's Queries for the D.C. Commissioners, 28 August 1791, *TPTJ*, vol. 22, 89.
[59] Arnebeck, *Through a Fiery Trial*, 66-71; Berg, *Grand Avenues*, 84.
[60] David Stuart to George Washington, 19 October 1791, *PGWDE*.
[61] Proceedings, 17-20 October 1791, RDCC; and Commissioners for the District to George Washington, 21 October 1791, *PGWDE*.

Washington to announce in his next address to Congress that Federal District land would provide "ample funds" to construct the public buildings.[62]

The sale highlighted other project vulnerabilities. Several buyers were "Strangers" with no local associate to vouch for their reputations or intentions toward the young and vulnerable Potomac project. This called into question the wisdom of selling by installment contracts – eight percent down, the balance due in three annual disbursements – an arrangement which placed an easement on the lots without guaranteeing payment.[63] L'Enfant's uncooperative attitude also presaged trouble. He refused to endorse another auction, and soon reignited controversy by ordering Daniel Carroll of Duddington's partially constructed house dismantled because it stretched six feet onto a public land reservation. L'Enfant's actions and the ensuing epistolary firestorm made it clear that his service risked dividing Potomac supporters and fueling criticism from opponents. Washington insisted L'Enfant submit to the commissioners' direction. Instead, L'Enfant resigned.[64] Surveyor Andrew Ellicott prepared a revised version of city plan for engraving and printing.

Keen to evince progress despite the controversy, the president pressed forward with construction plans. The commissioners advertised a public competition for each building's design. The president wanted buildings that exhibited a "size, form--and elegance" that looked "beyond the present day," fulfilling visual requirements of the plan without a "lean to

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[62] Washington's Address to Congress, October 1791, *PGWDE*.
[63] Commissioners for the District to George Washington, 21 October 1791, *PGWDE*.
[64] For an overview of events surrounding the Carroll house demolition and L'Enfant's subsequent dismissal see Editorial Note, Pierre L'Enfant to George Washington, 21 November 1791, *PGWDE*; Berg, *Grand Avenues*, 139-96; Arnebeck, *Through a Fiery Trial*, 74-99; Bordewich, *Washington*, 86-89; Harris, "Washington's Gamble,"547-50.

extravagance."[65] Recognizing that any large building might seem out of place in the predominantly rural District, Washington urged his fellows to look forward "to a time not too remote" and consider building plans to fit the future metropolis of a great republic.[66] Following a public competition, James Hoban's design was selected for the executive mansion and a sketch by William Thornton, a Philadelphia-based physician, was selected for the Capitol.[67] The commissioners subsequently determined Thornton's original plan was too large and needed revision.[68] Nevertheless, the planned Capitol and President's House were the largest building projects in the U.S., and the city would need additional funds to complete them.

In March 1792, Boston businessman and Revolutionary War veteran Samuel Blodget approached the commissioners with several propositions. Blodget seemed the sort of activist promoter and investor worth recruiting to the building project, and the commissioners took seriously his offer to broker a $500,000 loan for the city from northeast investors. Jefferson calculated 2,216 city lots would provide sufficient security for the loan (which assumed a $300 per-parcel sale price).[69] This first attempt to collateralize lots was doomed by the collapse of a

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[65] George Washington to David Stuart, 8 March 1792, *PGWDE*.

[66] Washington and Jefferson expected the public buildings would have effects stretching beyond property values. See Rubil Morales-Vazquez, "Imagining Washington: Monuments and Nation Building in the Early Capital," Washington History vol. 12, no.1 (Spring/Summer 2000), 12-29, and "George Washington, the President's House, and the Projection of Executive Power," Washington History vol. 16, no.1 (Spring/Summer, 2004), 36-53; C.M. Harris, "Jefferson, the Concept of the Modern Capitol, and Republican Nation-Building," in Kenneth Bowling and Donald R. Kennon, eds., *Establishing Congress: The Removal to Washington, D.C., and the Election of 1800* (Athens, Oh.: Ohio University Press, 2005), 72-101; Ihna Thayer Frary, *They Built the Capitol* (Richmond, Va.: Garrett & Massie, 1940).

[67] George Washington to the Commissioners for the District, 31 January 1793, PGWDE.

[68] On changes to the Capitol design see C.M. Harris, et al, eds., *The Papers of William Thornton vol. 1, 1781-1802* (Charlottesville, Va.: University Press of Virginia, 1995), especially 255-61.

[69] Thomas Jefferson to Thomas Johnson, 8 March 1792, *TPTJ*, vol. 23, 236-8.

financial bubble inflated by stock speculation.[70] Blodget also proposed a lottery with a grand prize hotel built between the Capitol and the President's House. The lottery seemed a good way to both raise funds and promote the city, and Blodget was appointed superintendent of the public buildings in January 1793, but proceeds from his fundraising efforts tended to disappear.[71] He was dismissed in January 1794 while organizing a second lottery.[72]

The Commissioners held the second public sale of lots in October 1792, and the third in July 1793. The results confirmed that sales alone would not satisfy financial needs. Ninety-three lots sold in October 1792. The average price per lot was £80.0.9 ($230), for a total £7,536.10 ($21,704) revenue for the city. At the third sale in July 1793 Washington himself bought lots in an effort to stimulate investor interest, but this last auction produced results similar to the first two.[73] Prices were promising, but the volume of sales was disappointing, the commissioners' funds were nearly run out, and the city's attempt to secure a loan had failed.[74]

Into this funding quandary stepped James Greenleaf, who arrived in the Federal City in August 1793. George Washington's introductory letter called the merchant and diplomat a "Gentleman of large property" with "command of much money in this Country & in Europe", but admitted this information was unconfirmed. The president encouraged the Commissioners to judge Greenleaf for themselves and take seriously offers that promised the "immediate increase" of

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[70] See Samuel Blodget to Thomas Jefferson, 20 April 1792, *TPTJ*, vol. 23, 437. The market collapse has been called the Panic of 1792. See David J Cowen, "The First Bank of the United States and the Securities Market Crash of 1792," *Journal of Economic History* 60, no. 4 (Dec., 2000), 1041-1060.

[71] Thomas Jefferson to the Commissioners of the Federal District, 21 November 1791, *TPTJ*, vol. 22, 311-12; Commissioners to Samuel Blodget, 5 January 1793, RDCC.

[72] Commissioners to Samuel Blodget, 27 January 1794, RDCC.

[73] Proceedings, 17-20 September 1793, RDCC.

[74] Proceedings, October 8-10, 1792, RDCC.

cash necessary to continue construction.[75] On September 23rd, the commissioners agreed to sell Greenleaf 3,000 lots at £25 ($72) per lot. Greenleaf then convinced Robert Morris and John Nicholson, his financially-stretched partners in western and New York land speculation, to buy into this deal and into a second purchase of an additional 3,000 lots at £35 ($101) each. Greenleaf secured these deals by agreeing to take lots from locations throughout the city and by committing to build ten houses each year for seven years. He also agreed to broker a £1,000 ($2,880) per month loan for the city at six percent interest with payments starting in January 1795 and lasting until January 1800. He also promised to deliver a "Brick Machine" he claimed to have seen in operation. The first of seven annual interest-free payments for the 6,000 lots was due May 1, 1794.[76]

The $691,800 in loans and payments promised by the syndicate was an enormous amount of money and exceeded previous estimates of the city's construction funding needs. Any doubts about the deal were overwhelmed by its potential benefits. The commissioners concluded that recruiting "Mr. Morris's Capital, Influence, and Activity" to the building project was a great boon.[77] The prospect of a partnership widely believed to comprise America's richest men acquiring forty percent of Washington City's real estate reflected well on the city's prospects at the same time that it burnished syndicate's credit. President Washington was optimistic these "men of Spirit with large capitals" would give "facility to the operations" of the city by providing "collateral advantages" to the building project.[78] By requiring Greenleaf,

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[75] George Washington to the Commissioners for the District, 20 August 1793, *PGWDE*.
[76] Commissioners to James Greenleaf, 23 Sept. 1793, 20 and 30 Nov. 1793, RDCC.
[77] Commissioners to George Washington, 23 Dec. 1793, RDCC.
[78] George Washington to Tobias Lear, 25 September 1793, Washington Papers, Library of Congress, Washington, D.C.

Morris, and Nicholson choose lots from throughout the city, the deal lent credibility to city property valuations.

Participation by outside investors produced tangible benefits by prompting local moneymen to increase their financial investment in the city. Washington City needed its own bank in order to compete with Philadelphia's financing capabilities, and in November 1793 the Maryland legislature chartered the Bank of Columbia, an institution "calculated" to "greatly assist City and Private Credit." The bank was among the first of many founded to assist governments and other public enterprises. It supplied the immediate cash missing from the syndicate deal became the primary vessel for aggregating local capital and channeling it to the Potomac project. The institution was a brainchild of James Greenleaf, who was authorized along with Samuel Blodget and the bank's directors to sell stock subscriptions. The bank operated out of Georgetown, was capitalized at $1 million, and the city board was authorized to subscribe to 2000 of the bank's 10,000 shares of stock and given commensurate voting interest. It had quasi-judicial collection powers to minimize discount risk. Six of its nine directors were Washington City proprietors, including bank president Benjamin Stoddert. [79]

[79] Commissioners to James Greenleaf, 20 Nov. 1793, RDCC; An Act to Establish a Bank in the District of Columbia, November, 1793, *Laws of Maryland,* William Kilty, ed., (Annapolis: Frederick Green, 1799-1800), chap. 30. Hereafter cited as *Maryland Laws*.

Table 1: Founders of the Bank of Columbia, Georgetown, Federal District*

Name	Bank Director	City Proprietor	Profession	Offices
Peter Cassanave	Y	NA	NA	Georgetown Mayor
William Deakins	Y	Y	Merchant	Washington City Treasurer
Joseph Forrest	N	***	Merchant	NA
Uriah Forrest	Y	Y	Merchant	U.S. Congress, Md. Assembly, Militia General
James Lingan	Y	Y	Merchant	U.S. Customs Agent, Militia General
Francis Lowndes	Y	NA	Merchant	NA
William Magruder	Y	NA	Merchant	Georgetown Postmaster
John Mason	Y**	Y	Merchant	Militia General
Thomas Peter	N	***	Gentleman	NA
Benjamin Stoddert	Y**	Y	Merchant	U.S. Navy Secretary
John Templeman	Y	NA	Merchant	Georgetown Bridge Co. President
Marsham Warring	Y	NA	Merchant	NA

NA = Information Not Available. * Individuals designated in the bank charter to collect stock subscriptions. ** Also served as bank president. *** Proprietary heir.

Sources: Baltimore (Md.) *Daily Intelligencer*, 20 Jan. and 24 Mar. 1794; Ella Loraine Dorsey, "A Biographical Sketch of James Maccubbin Lingan, One of the Original Proprietors," *Records of the Columbia Historical Society* 13, (1910): 1-48; Cordelia Jackson, "People and Places in Old Georgetown," *Records of the Columbia Historical Society* 33/34 (1932): 133-62; Helen Long and John T. Scharf, *History of Western Maryland* (Baltimore: Genealogical Publishing Co. for Clearfield Publishing, 2003); Harriot Stoddert Turner, "Memoirs of Benjamin Stoddert, First Secretary of the United States Navy," *Records of the Columbia Historical Society* 20 (1917): 141-66.

Bank discounts of city-held notes, direct loans, and bank stock sales soon became instrumental to funding the public works. These actions expanded the number and depth of individual commitments to the Potomac project's completion. Direct loans and stock sales garnered ready cash and connected stockholders fortunes to the city through the bank. Discounting bound all a note's signatories – individuals, the city, the bank and other financial intermediaries – together in a chain of payment obligations fortified by the bank's robust collection powers.

In early 1794, Washington City's supporters secured passage of two additional beneficial Maryland laws. One empowered the Board of Commissioners to auction the lots of purchasers delinquent on their installments.[80] This gave the Board leverage to secure payment or new buyers without the time, expense, or embarrassment of court action. The third piece of legislation allowed Maryland and Virginia slaves hired out to the Board to move freely into and out of the Federal District.[81] In a region where money did not always "command Labor," hired slaves became an important part of the city workforce over the course of the 1790s.[82] By early 1794, it seemed the city had secured revenues streams and the legal power needed to ensure financing. Subsequent events would demonstrate that the political rather than financial benefits of these measures would determine the success of the Potomac project.

Immediately after its formation, the Bank of Columbia loaned $36,000 to the city, and the Commissioners quickly sold 1000 shares of bank stock. This plugged the city's acute funding shortage, but it soon became clear the Greenleaf, Morris, and Nicholson would not be able meet the terms of their agreement. With the city's average monthly expenses running about $12,000, bank loans and stock sales became the primary sources of funding.[83]

The syndicate owed $36,000 for each of its annual payments; in May 1794, Greenleaf transmitted $16,000. Greenleaf then convinced the president that he could not secure a loan without clear title to Federal City land, and the president ordered the commissioners to deed

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[80] A Further Supplement to the Act Concerning the Territory of Columbia and the City of Washington, November, 1793, *Maryland Laws*, chap. 58.

[81] Commissioners to Charles Lee and John Hopkins, 25 Nov. 1794, RDCC. An Act in Favour of the President and Directors of the Patowmack Company, and the Commissioners of the Federal Buildings, March 1794, *Maryland Laws*, chap. 66.

[82] Commissioners to Edmund Randolph, 20 March 1795, RDCC.

[83] Commissioners to Edmund Randolph, 16 Jan. 1794; to William Deakins, 25 March 1794; and to Benjamin Stoddert, 13 July 1795, RDCC.

800 lots to Greenleaf.[84] Greenleaf's departure from Washington City in December under "peculiar circumstances" presaged further disappointment. The agreed-upon loan did not materialize, and in May 1795 Greenleaf sent a second partial payment of $28,333.33. The commissioners soon discovered Greenleaf was selling the lots he had been deeded. This violated the transfer agreement and drove down the value of public property by putting "at Market" an "immense fund" of lots acquired at bargain prices.[85] Greenleaf's actions demonstrated that control of a few hundred lots conveyed significant influence over the city's real estate market. The commissioners worried that mortgaging public property might cede their market leverage and allow a "combination" of proprietors with "highly visionary" ideas about property values to set sky-high prices that would discourage development.[86]

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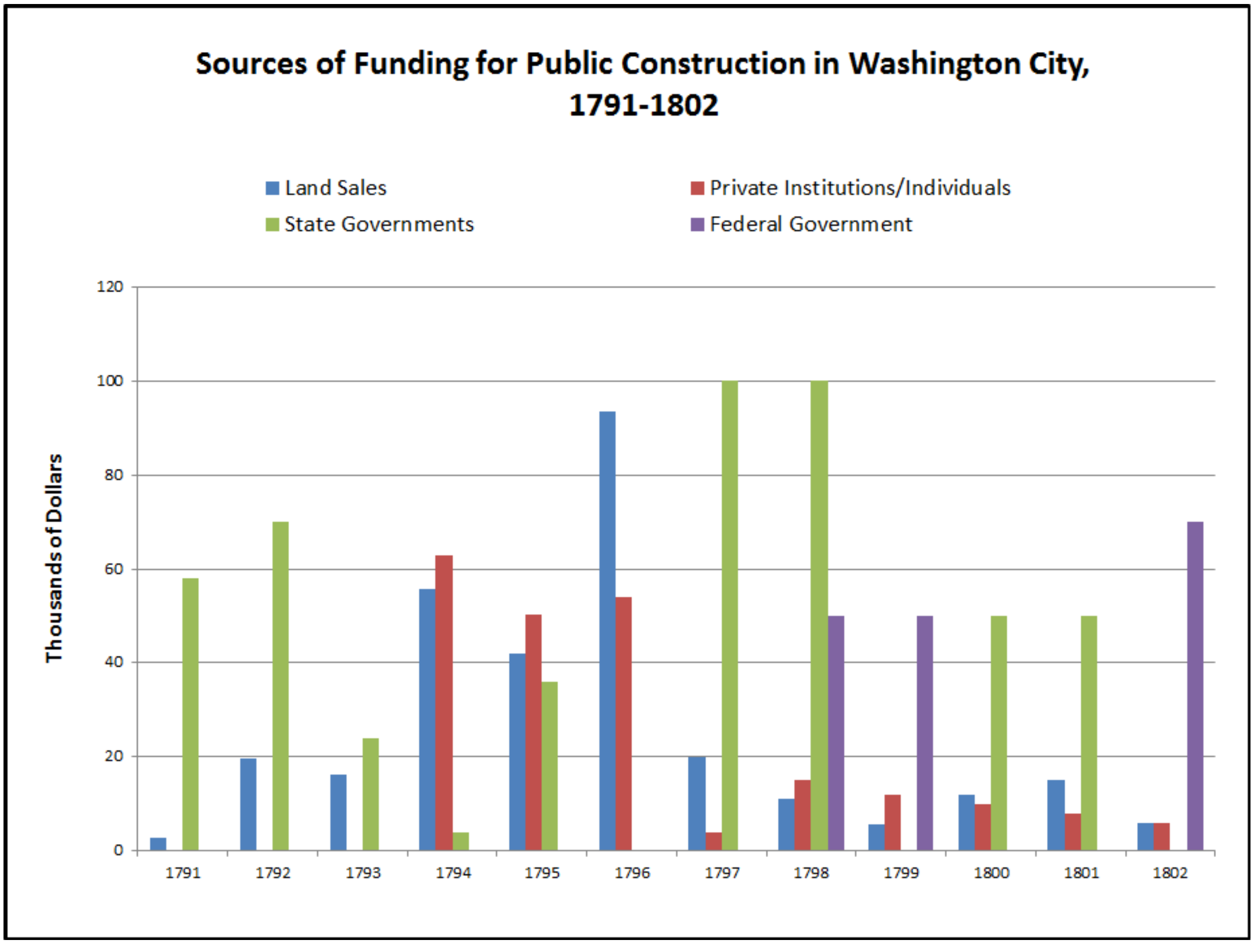
[84] On the Greenleaf-Morris-Nicholson acceptances and the conveyance of lots, see Commissioners to James Greenleaf, 18 and 20 Oct. 1794, to Edmund Randolph 18 Oct. 1794, RDCC.
[85] Commissioners to Edmund Randolph, 21 Feb. 1795, RDCC.
[86] Daniel Carroll and Gustavus Scott to Edmund Randolph, 20 March 1795, and to William Thornton, 20 March 1795, RDCC.



Sources: Commissioners to Edmund Randolph 15 and 16 Jan. 1794; to James Greenleaf, 2 May 1795; to Benjamin Stoddert, 13 July 1795, 3 Feb. 1796, 5 and 6 Jan. 1798; to George Washington, 31 Oct. and 2 Dec. 1796; William Thornton and Gustavus Scott to Alexander White, 3 Feb. 1796, 13 and 16 March 1798; to Thomas Law, 25 July 1796; to John Nicholson, 18 Jan. 1797; to Philip Key, 15 Feb. 1800; to James Lingan, 24 Feb. 1800; to Uriah Forrest and James Lingan, 28 Feb. 1800; to the Governor and Council of Maryland, 15 and 18 Feb. 1800, RDCC Letters Sent. *Statutes at Large of Virginia* 13, William Waller Hening, ed. (New York, Richmond, and Philadelphia: William Waller Hening, 1819-23), 125.

The Board's finances became increasingly precarious. The Capitol masons extracted a raise the treasury could not afford by issuing "threats" against James Hoban, who had been hired to oversee public construction.[87] In November 1794, Capitol architect William Thornton and former Confederation Congressman Gustavus Scott replaced David Stuart and Thomas Johnson on the Board. The Board revived plans to mortgage public lots, but inquiries with lenders in

[87] Commissioners to Collin Williamson, 7 June 1794, RDCC.

Philadelphia, New York, and London proved unsuccessful. Wartime credit constraints drove interest rates too high and lenders demanded personal guarantees from the commissioners and "the whole remaining property of the City" as security.[88]

When former Congressman Alexander White replaced Daniel Carroll on the Board in July 1795, he arrived to a project in fiscal crisis. Soon after, word came that Greenleaf had sold most of his interest in Washington City property to Robert Morris and James Nicholson.[89] President Washington was concerned about the implications of this development and wrote Morris to ask about the financier's commitment to the city. Morris assured the president he would meet his obligations even if it required he obtain "Usurious Loans."[90]

With private contributions apparently at or near their limit, a new commitment from government participants seemed the only way to continue the public works, but the prospect of government assistance was poor. Congress had consistently withheld support. Virginia had not disbursed the final $36,000 of funds promised in 1790, so additional money from that quarter was unlikely.[91] Baltimore's influence made support from Maryland's legislature for the first time uncertain.[92] Considering Robert Morris' unqualified statement of support and reasoning that a Congressional request offered the least risk and greatest reward, President Washington authorized Alexander White to travel to Philadelphia to petition for a loan or loan guarantee. White was also charged with harassing Morris and Nicholson for payment.

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[88] Daniel Carroll and Gustavus Scott to William Thornton, 20 March 1795, RDCC.
[89] Commissioners to William Cranch, 17 July 1795, RDCC.
[90] Robert Morris to George Washington, 7 December 1795, Washington Papers, Library of Congress.
[91] On the Virginia donation, see Commissioners to Henry Lee, 25 Sept. and 22 Dec. 1793; 30 Jan., 16 Sept., 7 and 25 Nov., 1794; and to Roger Brook 29 Dec. 1794, RDCC.
[92] Alexander White to GW, 31 Oct. 1795, Washington Papers, Library of Congress.

The commissioners approached Congress as applicants rather than supplicants. They appealed to legislators' speculative sensibilities by stressing the potentially transformative effects of Congressional imprimatur. The Board could continue financing by land sales, but this would produce a considerable loss at the market's depressed prices. By becoming the city's creditor or financial market intermediary, Congress could "render valuable" city property by validating lot price predictions and ensure that city lots would "rise so far beyond their present value" that sales revenues would exceed the money borrowed.[93]

The city's erratic progress provided ammunition to Congressional opponents of the Potomac seat, who accused the commissioners of withholding "the real state of affairs."[94] This heightened the importance of continuing public construction during the loan debate lest newly unemployed craftsmen and laborers disburse news of the city's troubles as they searched for work. White spent much of his time in Philadelphia pressuring Robert Morris for money, but the commissioners' options were limited. They had discounted the financiers' notes at the Bank of Columbia to exploit its "compulsory process" to "compel payment," and they could file suit for breach of contract or sell the lots under the Maryland law.[95] But lawsuits and forced or voluntary land sales would broadcast both parties' illiquidity and belie the appearance of "harmony" between the city and its "Great Proprietors," and none of these actions seemed likely to produce actual revenue.[96] In the end, a $20,000 loan from the Bank of Columbia saved the city from this embarrassment. The Board's difficulty securing the loan – bank directors

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[93] Memorial of the Commissioners to Congress, December 1795, RDCC.
[94] Alexander White to William Thornton and Gustavus Scott, 25 Feb. 1796, RDCC Letters Received.
[95] Commissioners to James Greenleaf, 25 March 1794 and 2 May 1795, RDCC.
[96] Commissioners to Robert Morris, 28 Sept. 1795, RDCC.

initially insisted the commissioners personally cosign the note – emphasized existing sources of funds were exhausted.[97]

Continued progress on the public buildings helped Potomac advocates skirt cost-based objections to the project. A House committee was appointed to consider the Board's memorial. Its chairman, Richard Brent of Virginia, wanted the loan bill "considered the touchstone to determine whether the seat of government will go to the banks of the Potomac, or not."[98] Thus the Potomac faction styled themselves defenders of the Compromise of 1790 and by extension the union. In order to frame debate advantageously, Brent's committee-reported bill jettisoned the attention-grabbing $500,000 direct loan request in favor of a guarantee bill that left blank the interest rate and amount guaranteed. Principle, not money, was at stake.

The opposition preferred to focus on costs. By opposing funding they could claim to defend the intent of the Residence Act and stir decentralist opposition to the measure. Connecticut's Jonathan Swift argued current law intended a self-financed building project. A guarantee changed "the original principle of the plan, by placing the whole property in the hands of the United States, leaving it with them to complete the buildings." With this guarantee, "the United States might consider the Federal City as child of their own," responsible for "every expense attending it."[99] It was better "to keep the United States as detached from the business as possible." Other opponents stoked doubts among skeptics of central power by stressing the "magnificent scale" of the buildings. They questioned claims that Thomas Jefferson had approved construction plans and played on fears of executive power

[97] Alexander White to William Thornton and Gustavus Scott, 16 March 1796, RDCC Letters Received.
[98] *Claypoole's American Daily Advertiser* (Philadelphia, Pa.), 25 Feb. 1796.
[99] *Claypoole's American Daily Advertiser* (Philadelphia, Pa.), 25 Feb. 1796.

by suggesting the unfinished President's House be turned into a judiciary building.[100] Pennsylvania's Samuel Sitgreaves alleged the real costs of the buildings were "not within the reach of calculation, or even of conjecture." How in good conscience could Congress "give ground for an opinion that the United States were to adopt and to become the foster-father of these projects?"[101]

Potomac advocates argued that complaints about the project were best remedied by approving, not rejecting, the guarantee. Rhode Island's Benjamin Bourne thought current law left Congressional authority over the public buildings "a subject of doubt."[102] Maryland's Jeremiah Crabb was certain Congressional direction was improper until "the United States have made grants, or guaranteed loans to establish and increase the city funds, and thereby become responsible." To Maryland's William Vans Murray, it seemed foolish to withhold this "small parental aid" and let the project "miscarry" when Congress could easily "husband their resources" to the city and guide its path to maturity. The whole project was, after all, a joint speculation "rising from a concurrence of events and local circumstances more favorable to a profitable issue, than any other that had of late presented itself to men of genius and enterprise."[103]

Pennsylvania's John Swanwick thought this flimsy logic for federal expenditures and a gateway to future spending on internal improvements. "On the same principle, we might guarantee loans for all the cities in the union," he complained, questioning Washington City's

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[100] William Thornton and Gustavus Scott to Alexander White, 15 Dec. 1795, 5 Feb. and 1 March 1796, RDCC.
[101] *Federal Gazette & Daily Advertiser* (Baltimore, Md.), 12 April 1796.
[102] *Claypoole's American Daily Advertiser* (Philadelphia, Pa.), 26 Feb. 1796.
[103] *Federal Gazette & Daily Advertiser* (Baltimore, Md.), 12 April 1796.

importance. Jeremiah Crabb reminded him that the agreements to build the Potomac seat were part of the patchwork creating the fabric of union. Abandoning Washington would be "such a manifest, indecent, impolitic violation of public faith and private right, acquired under the sanction of the original law, it would shake the Union to the center, if not bust asunder those political bands that so happily cement and bind this wide extended Union in the governmental compact."[104]

On March 31, 1796, the House voted 72-21 to guarantee $300,000 in loans at a maximum 6 percent interest.[105] The commissioners gladly acquiesced to Congressional oversight, submitted to an audit, provided detailed cost estimates and agreed to supply biannual financial reports.[106] What to do with city land offered as collateral proved a contentious question. In an effort to weaken the bill city opponents argued there was "no occasion for a counter-security to the faith of the United States," and claimed they preferred an unsecured guarantee or an outright grant, changes likely to doom the legislation. As written, the bill seemed "calculated to advance the price of lots for the interest of speculators."[107] Supporters didn't deny the charge. In the end, Congress claimed the city's remaining public land as security for the guarantee, but mollified the commissioners' concerns about losing their monopoly position by leaving the president and by extension the commissioners in charge of lot sales.[108]

Hopes for quick Senate action on the guarantee bill were dashed when White found out that four senators – New York's Rufus King and Aaron Burr and Pennsylvania's William

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[104] *Gazette of the United States* (Philadelphia, Pa.), 6 Feb. 1796.
[105] *Journal of the House of Representatives of the United States, 1793-1797* (Washington, D.C., 1826), 490-91.
[106] William Thornton and Gustavus Scott to Alexander White, 22 Jan. and 19 Feb. 1796, RDCC.
[107] Annals of Congress House, 359.
[108] *United States Statutes at Large*, vol. 1 (Boston, 1845), 461.

Bingham and James Ross – would ensure the Senate would "postpone and finally reject the Bill" if the House did not approve funding for the Jay Treaty.[109] In early March, James Madison had predicted the city bill would be "played off in favor of the Treaty."[110] Statements by House members pinning the fate of the union to the city bill had not gone unnoticed. The broad support for the loan guarantee, especially among southern members, contrasted sharply with a March 24th vote censuring the Jay Treaty, 62-37. Senators saw in the city bill an opportunity to leverage support for the treaty. Although the senators initially refused to "expressly avow such an intention," King told White if "the Treaty is not carried into effect there will be an end to the Union."[111]

King dropped his circumspection on April 25th and made publicly known his intent to delay Senate action on all measures except those "absolutely necessary to keep up the form of the government." Until "harmony prevailed in the U. States," King declared it "improper to engage in any Enterprise of a public or private nature." To punctuate their commitment to a shutdown, King and his allies managed to postpone consideration of the city bill by a 13-12 vote. In case anyone doubted their resolve, the next day they engineered another postponement, 13-11. [112]

On April 30th, the House voted 51-48 to fund the Jay Treaty. Associating the treaty with the integrity of the union and the constitutional process was instrumental in securing House

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[109] Alexander White to Gustavus Scott and William Thornton, 4 April 1796, RDCC Letters Received.
[110] James Madison to Thomas Jefferson, 6 March 1796, PTJ. See also Rubil Morales-Vazquez, "Imagining Washington: Monuments and Nation Building in the Early Capital," *Washington History* vol. 12, no. 1 (Spring/Summer 2000), 12-29.
[111] Alexander White to Gustavus Scott and William Thornton, 8 April 1796, RDCC Letters Received.
[112] Alexander White to Gustavus Scott and William Thornton, 18 April 1796, RDCC Letters Received; *Journal of the Senate of the United States* vol. 2 (Washington, D.C., 1820), 242-43.

approval.[113] Connecting the treaty to the Washington City guarantee bill cemented these associations and clarified the stakes. Three Potomac members who had earlier voted to censure the treaty's provisions – Marylanders George Dent and Samuel Smith and Virginian George Hancock – now voted to fund the treaty. They were joined by Jeremiah Crabb, who had not voted on first treaty resolution. On May 5th, the Senate approved the city guarantee 16-7.[114] Despite this success, finding new lenders for the city was difficult. Wartime cash transfers were "attended with delay and expence and sometimes with hazard."[115] Foreign creditors asked terms too dear; the Bank of the United States refused the city's application.[116] But the guarantee enabled commissioners to leverage capital from established sources. A group of proprietors loaned $12,000 directly to the city, and the Bank of Columbia provided $40,000 under the Congressional guarantee and endorsed by proprietors Notley Young, Thomas Law, Uriah Forrest, and Benjamin Lowndes, Benjamin Stoddert's brother-in-law.[117] Emboldened by the guarantee, the commissioners retained counsel for a suit against Morris and Nicholson.

In September 1796, genuinely anxious to avoid the courtroom, Morris and Nicholson made their way to Washington City with $70,000. The two men spent a month in the District dividing squares, discussing the public works, and making plans to level and improve terrain – the very model of participatory proprietorship. They even committed to a new payment

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[113] Todd Estes, "The Art of Presidential Leadership: George Washington and the Jay Treaty," Virginia Magazine of History and Biography vol. 109, no. 2 (2001), 127-58.
[114] *Senate Journal* vol. 2, 247; Arnebeck, *Through a Fiery Trial*, 364-69, argues there was no deal to secure passage of the city and treaty bills.
[115] William Thornton and Gustavus Scott to Alexander White, 12 Jan., 5 and 23 Feb. 1796, RDCC.
[116] On the failure of the Holland loan see Commissioners to Wilhelm and Jan Willink, 31 Oct. 1796 and 19 June 1797. On the BUS loan, see Commissioners to Oliver Wolcott, 20 June 1796, and Oliver Wolcott to Commissioners, 30 Nov. 1796, RDCC.
[117] Commissioners to George Washington, 31 May 1796; and to Thomas Law, 25 July 1796, RDCC.

schedule. Notes for $31,664 and $6,000 followed, but this period of detente proved fleeting. [118] In July 1797, Morris and Nicholson executed a general assignment of their assets, an insolvency law provision that shielded their property from court-ordered sales by placing it in a trust theoretically managed for the benefit of creditors.[119] The trustees quickly paid the Board $10,000, but sent no additional money. Legal wrangling delayed sales of syndicate land until May 1799. By then Morris was confined to Philadelphia's debtor's prison. Nicholson joined him that August.[120]

In December 1796, with city funds again running short, Uriah Forrest managed to secure by a one vote margin a $100,000 BUS stock loan to the city from the Maryland legislature covered under the Congressional guarantee.[121] BUS stock sales financed construction during 1797. In his last major Federal City decision as president, George Washington prioritized Capitol construction.[122] In January 1798, Uriah Forrest secured another Maryland BUS stock loan, this time for $50,000, but it was clear legislators were at the limits of their indulgence.[123] The commissioners sent Alexander White to Philadelphia to again ask for Congressional assistance, arguing this time that the credibility and reputation of the U.S. government were at

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[118] Commissioners to George Washington, 31 Oct. 1796; to John Nicholson, 3 Aug. 1796, 28 and 30 Sept. 1796, and 18 Jan. 1797; to Edward Tilghman, 12 Sept. 1796; and to Robert Morris and John Nicholson, 29 Sept., 1 Oct. (2 letters) and 13 Oct. 1796, RDCC.

[119] On insolvency and general assignment, see Peter J. Coleman, *Debtors and Creditors in America* (Madison: Impressions, Inc. for the State Historical Society of Wisconsin, 1974), 23, 145-46; and Edward D. Ingraham, *A View of the Insolvent Laws of Pennsylvania*, 2nd ed. (Philadelphia: P.H. Nicklin, 1827), 127.

[120] Commissioners to Henry Pratt & the Assignees of Morris & Nicholson, 4 and 8 August 1797, and 2 May and 3 June 1799; and to Clement Biddle, 8 Aug. 1797, RDCC. On Morris and Nicholson's imprisonment, see Bordewich, *Washington*, 221-23.

[121] Commissioners to the President of the United States, 2 Dec. 1796, RDCC.

[122] Commissioners to George Washington, 6 and 20 Feb. 1797, RDCC.

[123] Commissioners to Uriah Forrest, 29 Nov. 1797; Commissioners to Benjamin Stoddert, 6 Jan. 1798, RDCC.

stake. Gone were earlier speculative appeals and claims at self sufficiency. The commissioners argued instead that in 1796 Congress had "adopted" loan-centered construction financing by taking lots as security for its guarantee. Circumstances argued against deviating from this strategy. Below-market auctions of forfeited Greenleaf-Morris-Nicholson lots loomed; the "check given to all enterprize" by war depressed real estate prices. Under these conditions, a shift to financing by sales – once a panacea for Federal City revenues – would mean disaster: "valuable property will be sunk; the money will be expended; the buildings will remain unfinished."[124]

Circumstances looked grim for satisfying the commissioners' request. Alexander White reported an increase in the "Party spirit" in the councils of government and commented that "a greater degree of acrimony is apparent among the Members of Congress than even during the discussion of the British Treaty."[125] When White met with John Adams to discuss the commissioners' memorial he found the president hostile to the funding request. Adams refused to "make himself a Slave to the Federal City" and inveighed bitterly against "the People there that had belied him," specifically Virginia Congressman William Branch Giles. Adams even suggested he would allow the seat of government to go to New York, once New Englanders' preference among the most likely locations.[126]

White's efforts to convince members of Congress faced similar hostility. Proprietors Thomas Law, Uriah Forrest, George Walker, and James Dunlop had come to Philadelphia to conduct their own lobbying efforts. Their general advocacy for the Potomac seat was colored

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[124] Memorial of the Commissioners to the President of the United States, 25 Nov. 1797, RDCC.
[125] Alexander White to George Washington, 10 Mar.1798, *PGWDE*.
[126] Alexander White to George Washington, 20 Feb. 1798, *PGWDE*.

with their own visions and preferences for the course of city development, including altering the original plan of the city in ways that ensured more public construction in the vicinity of their landholdings. Congressmen hostile to the Potomac seat used conflicting statements by commissioners and proprietors to defame the project.[127] Detractors revived the proposal to turn the President's House into legislative or judiciary headquarters and pushed to build the executive department buildings near the Capitol. President John Adams seemed willing to accept changes in the interest of expediency, and Alexander White was inclined to agree if adhering to the original plan meant Congress would refuse funding.[128] Thornton and Scott made clear that drastic alterations so late in the construction process would undermine the fabric of the agreement creating Washington City:

> When the late President of the United States called together the original proprietors, who granted the soil on which the Federal City was to be erected, he laid before them a plan with the present appropriations for the Capitol and President's House, and the Offices for the several Departments contiguous to the latter, and under the faith of these several appropriations, thus publicly declared, the proprietors agreed to make the several Grants which afterwards took place. These two appropriations[...]were published on the engraved plan, promulgated by the president, and were declared to be sanctioned by him, at all the public sales of Lots which took place at the early period of the City. The Commissioners and all others who have made sales of Lots in the City

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[127] Alexander White to George Washington, 10 Mar. 1798, *PGWDE*. William Thornton and Gustavus Scott to Uriah Forrest, 30 Jan. 1798, RDCC; Alexander White to William Thornton and Gustavus Scott, 8 and 22 March 1798, RDCC.

[128] William Thornton and Gustavus Scott to Alexander White, 13 and 16 March 1798, and Alexander White to William Thornton and Gustavus Scott, 8, 11, and 22 March 1798, RDCC.

have made their sales and Contracts under a full persuasion, that these appropriations were permanent and unalterable.[129]

For all the strenuous objections offered by the commissioners, George Washington's intervention was probably the determinative influence on Adams's decision. In a letter to White, Washington stressed that "the principle which operated in fixing the sites for the two principal buildings" was "to obtain the *primary* object; i.e. the ground," and that it would be "insanity" to move Congress from the Capitol. As to locating the executive offices near the Capitol, Washington declared its significance was to him "*as an individual*, a matter of Moon-shine." For the conduct of "daily intercourse" however, it was better to have the department secretaries near the president. Close quarters in Philadelphia had demonstrated that while Congress was in session it was difficult for the secretaries to work "so much were they interrupped by the individual visits of Members (in office hours) and by calls for papers."[130] Given Adams recent troubles with Congress, this was probably the most convincing argument he heard for adhering to the original plan, and Adams eventually gave his full support to the commissioners' memorial. On April 18, 1798, legislation authorizing a $100,000 federal loan to the city became law.[131] In June 1798, the commissioners contracted out construction of a building next to the President's House. It became War Department headquarters in 1800.[132]

The Congressional loan was exhausted by February 1800. The Board obtained another $50,000 BUS stock loan from the Maryland legislature, secured after Thornton and Scott, along

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[129] William Thornton and Gustavus Scott to Alexander White, 16 March 1798, RDCC.
[130] George Washington to Alexander White, 25 Mar. 1798, *PGWDE*.
[131] Act of April 18, 1798, *United States Statutes at Large*, vol. 1, 551.
[132] Commissioners to Leonard Harbaugh, 20 June 1798, RDCC.

with proprietors Uriah Forrest and James Lingan, personally endorsed the note.[133] April brought unexpected good news for the city. Cabinet officials, encouraged by newly installed U.S. Navy Secretary Benjamin Stoddert, decided their departments were financially responsible for clearing, grading, and paving city streets around the public buildings.[134] This was the first direct federal spending on improvements in Washington City.

No longer concerned about depressed prices, the board sold lots and borrowed from sympathetic creditors like Uriah Forrest, Benjamin Stoddert, clerk of the Board Thomas Munroe, and large purchasers John Threlkeld and Alexander Kerr.[135] In March 1801, William Thornton personally made the city's $2,000 payment due to Maryland. He was compensated with city lots.[136]

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The federal government moved to Washington City in December 1800. Questions about whether Congress would officially take jurisdiction over the Federal District and Washington City lingered and became an issue in the contested election of 1800. Pamphleteer Augustus Woodward urged Congress to establish a system of governance for the District including Congressional representation and local government. Only when properly administered by "men of business" could the city achieve the necessary "pecuniary independence" that would

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133 Commissioners to Philip Key, 15 Feb. 1800, to James Lingan, 24 Feb. 1800, to the Governor and Council of Maryland, 15 and 18 Feb. 1800, and to Uriah Forrest and James Lingan, 28 Feb. 1800, RDCC.
134 Commissioners to Benjamin Stoddert, 19 April 1800, and to the Secretaries of State, Treasury, War, and the Navy, 2 and 30 Oct. and 13 Nov. 1800, RDCC.
135 Commissioners to Uriah Forrest, Benjamin Stoddert, and Alexander Kerr, 19 Sept. 1801, to the President and Directors of the Bank of Columbia, 29 Sept. 1801, to Benjamin Stoddert, 24 Sept. 1801, and to Uriah Forrest, 25 Sept. 1801, RDCC.
136 Commissioners to John Adams, 28 March 1801, RDCC.

ensure the "manly government" necessary to "lead the van" of the republic.[137] In February 1801 Congress passed legislation that officially extended jurisdiction over the District and established a system of local government for Washington City, but did not provide Congressional representation.[138]

According to the legislation passed by Congress, the federal government assumed a prominent role in local government. President Jefferson appointed Robert Brent mayor of Washington City, a post in which Brent served for ten years. In May 1801, Jefferson submitted to Congress a slate of nominees to serve as federal officers for the District of Columbia. The list included some familiar names: Thomas Johnson to serve as judge in the D.C. Circuit, James Lingan as Marshal for the District, John Thompson Mason as Attorney for the District. The offices of justice of the peace were similarly stacked with area boosters and proprietors, including Daniell Carroll, Thomas Peter, John Mason, Benjamin Stoddert, William Thornton, and Thomas Peter.[139]

President Jefferson ordered that work continue on Pennsylvania Avenue and construction start on the south wing of the Capitol.[140] Financial realities forced the commissioners to tell the president their funds were "inadequate" to fulfill his "directives."[141]

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[137] Epaminondas no. 4, *National Intelligencer,* Washington, D.C., 1 Jan. 1801; *Epaminondas no. 5* (Washington, D.C., 1801)

[138] Debate over extending jurisdiction was colored by party conflict surrounding the 1800 election. See William C . diGiacomantonio, "To Sell Their Birthright for a Mess of Potage": The Origins of D.C. Governance and the Organic Act of 1801," *Washington History* vol. 12, no.1, 30-48. "'To Make Hay while the Sun Shines': D.C. Governance as an Episode in the Revolution of 1800," in Kenneth R. Bowling and Donald R. Kennon, eds., "Establishing Congress: The Removal to Washington, D.C. and the Election of 1800 (Athens, Oh.: Ohio University Press, 2005).

[139] Padover, Jefferson and the Capital, 254-55.

[140] Thomas Jefferson to the Commissioners, 2 June 1801, *TPTJ.*

[141] Commissioners to Thomas Jefferson, 24 Aug. 1801, RDCC.

Jefferson reported to Congress that paying city loans "would require sales so far beyond the actual demand of the market, that it is apprehended that the whole property may be thereby sacrificed, the public security destroyed, and the residuary interest of the city entirely lost." Funds "advancing from the Treasury" were the best way to avert these losses, complete the public buildings, and preserve city interests.[142] Congress eliminated the Board of Commissioners on May 1, 1802. Oversight of public land and improvements was vested in a superintendent, Thomas Munroe, the former Board's clerk, who reported to the president. In June 1803, Jefferson requested and Congress appropriated $60,000 for Capitol construction. Between 1804 and 1807, Congress spent more than $250,000 to finish the north and south wings of the Capitol.[143]

Detractors visiting Washington City found ample ammunition for their cause. Few federal buildings were completed. The President's House was habitable, but fires in November 1800 and January 1801 had damaged one executive office and destroyed the other. Plans for a third office and for a judiciary building were suspended. Only the Capitol's north or Senate wing was built and it had no top floor or roof. A partially collapsed Rock Creek Bridge, Blodget's unfinished hotel, leaky roofs, windowless rooms, tree stump-littered dirt roads, interminable money problems and investor insolvency made grim reminders of the plan's shortcomings.[144] A census-enlarged House of Representatives had already outgrown its

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[142] Padover, *Jefferson and the Capital*, 258. *United States Statutes at Large*, vol. 2, 175-78.
[143] Padover, *Jefferson and the Capital*, 382.
[144] See Proceedings, 1 September 1792, RDCC, on construction of the original bridge and Commissioners to Alexander White, 19 January 1796, ibid, on plans and financing for the drawbridge. The Commissioners reported the hotel "cover'd in" but it remained unfinished.

assigned space in the north wing of the Capitol. Many wondered if and why Congress would stay in Washington.

Washington remained the federal seat because the city fulfilled the practical needs of governance. As Potomac detractors predicted, once Congress began spending money on the federal edifice those expenditures would continue in order to "keep pace with the necessities of that institution."[145] Federal stewardship enabled the city to mature into the robust and manly independent center of the size and strength necessary to govern a fractious republic. Jefferson was confident the beauty of the public buildings and spaces, offered sufficient incentives to encourage city residents and investors to improve and beautify their own sections of the city. Despite Washington City's appearance, Jefferson could see it "growing very rapidly" and was confident the city would "become a great place."[146] Buoyed by the federal presence, the city's real estate market underpinned the wealth of local landowners, banks, and businesses, providing capital that sustained the U.S. government's connection to Washington and stymied efforts to move its seat.[147]

At the same time, the District's geographic centrality, distance from established commercial centers, and exclusion from legislative representation put all part of the union, including the Potomac region, on equal political footing within the federal system. Exclusive federal jurisdiction provided a bulwark against the threat of coercion to affect or undermine those policies. This combination of endowments created a durable and politically neutral

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[145] *Federal Gazette & Daily Advertiser* (Baltimore, Md.), 12 April 1796.
[146] Thomas Jefferson to Enoch Edwards, 2 June 1801, PTJDE.
[147] Wilhelmus Bogart Bryan, *A History of the National Capital from its Foundation Through the Period of Adoption of the Organic Act, v.1* (NewYork: Macmillan, 1914), and Constance M. Green, *Washington: Village and Capital, 1800-1878 Volume I.* (Princeton, N.J.: Princeton University Press, 1962), are the best general studies of early Washington, D. C.

government seat instead of a domineering metropolis that might destabilize the union by manipulating capital and commerce to its own benefit. These characteristics conveyed a perception of fairness upon decisions made at Washington that bestowed legitimacy and by extension efficacy upon the U.S. government.

Creating a federal center with these particular characteristics required city founders craft an untested, hybrid financing system. In failure this scheme obtained Congressional support success would have precluded. Honoring reciprocal commitments became an operational principle of U.S. governance. As Federal City opponents had warned, the building project proved an instructive example for future internal improvements. Much like Potomac boosters, members of Congress recruited federal support that mobilized capital from state, local, institutional and individual investors. This encouraged communities and capitalists to unite behind costly development projects throughout the U.S., demonstrating that the federal polity governed in response to the needs of an expanding republic. Confidence that citizens' petitions received a fair hearing in and a reliable commitment from Washington built support for the U.S. government and helped release the American spirit of enterprise.

Chapter 2

Speculative Capital:
Real Estate Investment in Washington City, 1790-1830

In 1792, development of the new Federal City was progressing much more slowly than the project's architects had expected, and Georgetown merchant Samuel Davidson, one of the city's leading landowners, was disappointed with the capital's prospects. Hoping to improve the situation on the Potomac, Davidson brought his grievances to the President of the United States. He explained to George Washington that the Commissioners of the District of Columbia, who had been in office one year, were "totally disqualified to conduct operations of so extensive and complex a nature" as the administration of the new capital because they did not have "the education and habits of men of business." Davidson had purchased city property "to the amount of £6000," and encouraged his brother John to buy a block of land adjacent to his own called Port Royal valued at £4500. They feared along with "every Proprietor" that the slow growth of the urban landscape would result in a "total abatement of disposition in individuals to speculate in the property" and a consequent drop in the value of their enormous land investments.[148]

Raising concerns about property values was certain the get the President's attention. In Washington's view, a robust real estate market was requisite for the growth and success of the new Federal City. Washington had high expectations for the capital, sentiments which were shared by people both inside and outside the apparatus of government. The President,

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[148] *The Papers of George Washington*, Philander Chase, ed., (Charlottesville, 1987-), Presidential Series 10, 422-24. Unless otherwise noted, pounds, shillings, and pence are Maryland currency.

members of his Cabinet, and the Potomac business community envisioned a city emerging downriver from the Great Falls that would be the commercial as well as political center of the United States.[149] It had all the natural advantages. To the west was waterway access to the bountiful produce of the continent's expanding interior; to the east through the Chesapeake Bay lay the Atlantic Ocean and access to trade goods from up and down North America's coast, Europe and around the world. The proper circumstances would ensure the capital became the internationally recognized best place to conduct mercantile exchange on America's eastern seaboard.[150]

Initially, many believed that the city's location alone provided the fortuitous conditions necessary to produce this commercial entrepôt. The first city plans reflected this outlook with designs for a modest, well organized town laid out in a rectangular pattern to take the greatest advantage possible of space along the waterfront.[151] But George Washington saw another opportunity which he thought would provide the Federal City with a distinct developmental

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[149] The political role of the national capital has been explored in a few important works, including James Sterling Young, *The Washington Community, 1800 – 1828* (New York, 1966), Kenneth R. Bowling, *The Creation of Washington, D.C.: The Idea and location of the American Capital* (Farifax, 1991), and more recently C.M. Harris, "Washington's Gamble, L'Enfant's Dream: Politics, Design, and the Founding of the National Capital," *William and Mary Quarterly*, 3rd Series, vol. 56, no. 3 (July 1999), 527-64, and Rubil Morales Vasquez, "Monuments, Markets, and Manners: The Making of the City of Washington, 1783-1837," (Ph.D. diss., Rutgers University, 1999).

[150] Although most sources on the history of early Washington, D.C., discuss the Potomac connection, George Washington's fascination with the promise of the Potomac receives its most comprehensive treatment in Joel Achenbach, *The Grand Idea: George Washington's Potomac and the Race to the West* (New York, 2004). See also Walter Sanderlin, *The Great National Project: A History of the Chesapeake and Ohio Canal* (New York, 1946, 3rd ed. 1982), Thomas Hahn, *George Washington's Canal at Great Falls, Virginia* (Shepardstown, W.Va., 1976), and Corra Bacon-Foster, *Early Chapters in the Development of the Patomac Route to the West* (Washington, D.C., 1912), for information on the Potomac Company and the effort to develop the river into the route to the west.

[151] *The Papers of Thomas Jefferson*, ed. Julian Boyd (33 vols., Princeton, 1950-), 17:460-63 and editorial note, 20:73-88 and editorial note, illustration following 384, provide background on the situation and Jefferson's design of the proposed capital.

advantage, a method of attracting investment and fostering capital formation without government expense. When presented with Pierre L'Enfant's plan of the city, it became clear to the President that the federal government had a real opportunity to partner with business and promote capital growth within the Federal District. The L'Enfant plan would boost land values and bring in a continuous flow of investment as the city grew, fetching healthy returns for investors on their speculations. The effect would be the formation of a cohort of landlord-developers to act as agents of economic growth in the new capital.

It was expected that the city's "Proprietors" would be the cornerstone of this emerging investor class. Samuel and John Davidson were members of this semi-official group of 19 men who had purchased large tracts of land east of Georgetown prior to or concurrent with the decision to settle the capital city in the area.[152] Perhaps more than anyone else, Samuel Davidson shared George Washington's optimistic appraisal of the remunerative effects of the of L'Enfant plan. He expected that it would impart an intrinsically high value upon the property he had purchased in vicinity of the future President's Mansion. Other Proprietors shared the belief that Washington City would grow large and prosperous under L'Enfant's influence, and that their property would increase in value as a result.[153] Davidson's support for the L'Enfant plan, and the financial returns his heirs received on his land speculations, illustrate the important role city design played in determining urban property values. Population growth and economic expansion were expected to impact the real estate market positively, but

[152] *The Papers of George Washington*, ed. Philander Chase (Charlottesville, 2000), Presidential Series 8, 24-25.
[153] Bob Arnebeck, *Through a Fiery Trial: Building Washington, 1790 – 1800* (Lanham, 1991), introduction, 1-60.

Davidson also stressed the value of spatial, visual, and environmental considerations in his assessment of the long term value of the real estate he had acquired.

Pierre L'Enfant's vision was construction of a city on a "grand scale," comparable to the great capitals of Europe. The terms of the Residence Act of 1790 gave the President primary authority in planning and administration of the future national capital, and Washington was quickly convinced that a grandiose design was appropriate for the capital of the United States. The Proprietors, who expected "great benefits from having the Federal City laid off upon" their lands, had consented to the appropriation of their property by the federal government. In exchange, they were compensated £25 per acre, and permitted to retain possession of any of their own existing "buildings and other Improvements and grave yards," for £12.10.0. It was understood that title to about half of the land would be returned to the Proprietors, who could dispose of it as they pleased.[154]

Samuel and John Davidson both died before they could realize the great benefits of their own real estate investments. The early growth of the national capital, which occurred much more slowly than its founders had ever hoped or intended, has been well documented.[155] The city was in the third decade of it existence before serious settlement began to occur. As a result, most of the Davidson brothers' property passed unsold to their heirs, who numbered among the largest landowners in the Federal City throughout the first half of the nineteenth century. Together, they claimed more than 250 unimproved lots in the two city wards surrounding the

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[154] Ibid., *The Papers of George Washington,* Presidential Series 8, 24-25.
[155] Ibid., Arnebeck, *Through a Fiery Trial*; Young, *The Washington Community*; Stanley Elkins and Eric McKitrick, *The Age of Federalism* (New York, 1993), W.B. Bryan, *A History of the National Capital from its Foundation Through the Period of Adoption of the Organic Act, v.1* (NewYork, 1914); Carl Abbott, *Political Terrain: Washington, D.C. from Tidewater Town to Global Metropolis* (Chapel Hill, 1999)

President's House.[156] Clearly wide boulevards and sweeping vistas did not transform the city overnight into a booming metropolis. When the city did begin to grow, however, Davidson heirs realized substantial returns on their benefactors' investments. The city's design strongly and positively influenced land values in the city center.

Early in the process of building the Federal City, it seemed unclear whether or not benefits from planning would ever be realized by the city's landlords. Soon after his appointment to administer the laying-out of the city, L'Enfant became embroiled in a struggle to control the construction process with the District's Commissioners, Thomas Johnson, Daniel Carroll, and David Stuart. L'Enfant sought free reign to implement infrastructure improvements, design public buildings and determine specifications for city construction, and wanted the Commissioners to borrow money to finance these projects. The Commissioners did not appreciate L'Enfant's zeal, and refused to accede to his requests. The contest of wills quickly escalated, and the engineer tried to gain the upper hand by withholding access to his plan of the city. Despite his mercurial ways, the city Proprietors initially sided with L'Enfant in his struggle with the Commissioners. His continued participation in the project was considered "material" to its success, his plan vital to future growth.[157] Samuel Davidson was especially concerned about the consequences of L'Enfant's departure from the Federal City building project.

Davidson had spent his years since immigrating to America from the Scottish Highlands in 1784 as a successful merchant plying a trade in tobacco and wheat and slowly acquiring

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[156] Property Tax Assessment for the District of Columbia, 1st and 2nd Wards, 1824, (National Archives, Washington, DC).

[157] Ibid., Arnebeck, *Through a Fiery Trial*, 4-5, 91-117; Elizabeth Kite, *L'Enfant and Washington, 1791 – 1792* (Baltimore, 1929); and Allen Culling Clark, *Greenleaf and Law in the Federal City* (Washington, D.C., 1901).

property in different parts of the Maryland and Virginia countryside.[158] This pattern of property investment was not unusual among America's successful merchants and entrepreneurs, and has been well documented by historians.[159] In contrast, few studies have been conducted on urban property acquisition and ownership in early America. The information available suggests that investors hesitated to acquire city property, but often eagerly extended their finances to claim vast undeveloped tracts on the western frontier. As a result, the distribution of city property ownership was relatively broad during the middle colonial period. In late-seventeenth- and eighteenth-century Boston, 50% of the city's inhabitants were involved in city property transactions of one kind or another.[160] There are indications, however, that urban property ownership demographics changed over the course of the eighteenth century. Although property ownership in Philadelphia was widely distributed in 1700, by 1780 about 80% of the city's inhabitants were renters.[161] Anecdotal but useful studies of individual investment confirm a trend toward large-scale urban real estate accumulation in the nineteenth century, though it is unclear whether this trend was widespread. John Jacob Astor began investing in developed and undeveloped New York City property soon after the turn of the nineteenth century, when it became clear that the profitability of fur trading was

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[158] Samuel Davidson, Ledger B, parts 1 &2, and Day Book, 1791 – 1809, The Papers of Samuel Davidson, (Library of Congress, Washington, DC).

[159] On mercantile penchant for western land speculation, see, for example, Thomas Doerflinger, *A Vigorous Spirit of Enterprise: Merchants and Economic Development in Revolutionary Philadelphia* (Chapel Hill, 1986), 63 – 67, 278 – 286, Jacob Cooke, *Tench Coxe and the Early Republic* (Chapel Hill, 1978).

[160] G.B. Warden, "The Distribution of Property in Boston," *Perspectives in American History* vol. 10 (Cambridge, Mass., 1976).

[161] Sharon V. Salinger and Charles Wetherell, "Wealth and Renting in Prerevolutionary Philadelphia," *Journal of American History* 71, No. 4 (Mar., 1985), 826-40.

waning.[162] It is unclear whether Astor's actions were typical or anomalous because most similar studies of urban land barons focus on post-Civil War era figures.

Historians have offered several reasons to explain differences between urban and rural property speculation. These include a lack of confidence in urban property as a long-term investment – particularly when compared to the great confidence in the value of rural property – and the greater cost of urban property relative to other investment options. Some historians have speculated that in early America's specie-deprived economy land, particularly urban land, was viewed as an exchange commodity rather than an investment commodity. As a result, the value of property might have had less to do with its characteristics than with the circumstances which occasioned its transfer, such as gifting, death, or debt collection.[163] Given the higher initial expense of acquiring land in towns and cities, investors may have felt it prudent to see whether or not a city thrived before buying too much of its property. Besides these tentative explanations, the exact reasons for this lagging interest in urban property speculation are unknown.

Americans' thoughts about cities and urbanization were influenced by their understanding of the history of London specifically and of Europe's cities in general. George Washington's appreciation for the economic benefits of a commercial center was broadly shared by eighteenth-century political economists. The many town plans which survive from this era testify to the belief that urban growth could have a transformative effect on the value of real

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[162] Marc Weiss, "Real Estate History: An Overview and Research Agenda," *The Business History Review*, vol. 63, no. 2 (Summer, 1989), 241-282, provides a comprehensive overview of the state of urban real estate studies. Axel Madden, *John Jacob Astor: America's First Multimillionaire* (New York, 2001), and John Heagar, *John Jacob Astor: Business and Finance in the Early Republic* (Detroit, 1991)

[163] *Ibid*, Salinger and Wetherell, "Wealth and Renting," 837.

estate. That few of these towns do now or ever did exist testifies to the difficulties of making these plans into reality. These plans were most often the fruits of the imaginations of speculators trying to whet buyers' interest. By the 1790s this rudimentary boosterism had attracted a more comprehensive view of the benefits of urban areas to economic growth. In 1793, Tench Coxe, Assistant U.S. Treasury Secretary and a robust land speculator, penned a pamphlet reprinted in *A View of the United States of America, In a Series of Papers*, which outlines the cost and process of building a city and argues that the $4 million construction cost would be more than offset by the economic benefits that would accrue from the presence of city which would act as an engine of economic growth for the region.[164] Thomas Jefferson found the pamphlet sufficiently interesting to bring it to Washington's attention, forwarding him a copy in early 1793.[165]

Exactly what changes occurred in American society to produce investors like John Jacob Astor have not been explored, but by 1800 is was clear to many that urbanized land held speculative value. The increasing prominence of cities in America's social and economic life likely played a role in this change. The potential benefits of urbanization had long been known among speculators in undeveloped land, and their approaches to and expectations about the remunerative value of urban property ownership were shaped by experiences with country

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164 See Tench Coxe, *A View of the United States of America, In Series of Papers, Written at Various Times, Between the Years 1787 and 1794* (Philadelphia: William Hall, Wrigley& Berriman, 1794), chapter 10. It is believed that this is a reprint of Coxe's now lost 1793 pamphlet, *A Plan for Encouraging Agriculture and Increasing the Value of Farms in the Midland and More Western Counties of Pennsylvania, Applicable to Several Other Parts of that State, and to Many Parts of the United States* (Philadelphia: 1793) .
165 Thomas Jefferson to George Washington, 2 February 1793, *The Papers of George Washington Digital Edition* (hereafter *PGWDE*), ed. Theodore J. Crackel (Charlottesville: University of Virginia Press, Rotunda, 2007).

property.[166] In some cases, these speculators were known publicize fanciful plans for a town on land they had purchased in an effort drive up property values. The design of many of these towns was elementary, with city blocks drawn in a grid formation and those blocks divided into lots. More frequently over the course of the century, city plans included green spaces and avenues and squares for public congress, following examples set by planned capitals at Williamsburg and Annapolis.[167] As the population of the colonies and later the United States grew, new designs highlighted both the commercial and civic functions of the inchoate towns in imitation of the "urban grandeur" style characteristic of European cities. Wide boulevards which linked vital commercial and civic centers and open squares that highlighted the presence city hall and the town marketplace were the basic characteristics of town refinement. Properly genteel environments included open areas for groups to formally or informally gather, and tasteful landscaping to improve the pleasure of the public walk.[168]

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[166] Rates of return on undeveloped land purchases are explored in James W. Silver, "Land Speculation Profits in the Chickasaw Cession," *The Journal of Southern History* 10, No. 1 (Feb., 1944), 84 -92, Allan G. Bogue and Margaret Beattie Bogue, "'Profits' and the Frontier Land Speculator," *The Journal of Economic History* 17, No. 1 (March, 1957), 1-24, and Robert P. Swierenga, "The Equity Effects of Public Land Speculation in Iowa: Large versus Small Speculators," *The Journal of Economic History* 34, No. 4 (Dec., 1974), 1008 – 1020. A revision of the class conflict perspective on land relations is provided by Charles S. Grant, "Land Speculation and the Settlement of Kent, 1738 – 1760," *The New England Quarterly* 28, No. 1 (March, 1955), 51 – 71. Market forces affecting land pricing and purchasing are explored in Stanley Lebergott "The Demand for Land: the United States, 1820 – 1860," *The Journal of Economic History* 45, No. 2, The Tasks of Economic History (June, 1985), 181 – 212. The more spectacular land speculation schemes have produced some interesting studies, including Charles Royster, *The Fabulous History of the Dismal Swamp Company: A Story of George Washington's Times* (New York: Borzoi Books, 1999).

[167] Christopher E. Hendricks, *The Backcountry Towns of Colonial Virginia* (Knoxville, 2006), xiii-xxii. See also John Reps, *Tidewater Towns: City Planning in Colonial Virginia and Maryland* (Charlottesville, 1972); Sylvia Fries, *The Urban Idea in Early America* (Philadelphia, 1977).

[168] Richard L. Bushman, *The Refinement of America: Persons, Houses, Cities* (New York, 1993), 139 – 180. See also Mark Girouard, *Cities and People: A Social and Architectural History* (New Haven, 1985), and John William Reps, *The Making of Urban America: A History of City Planning in the United States* (Princeton, 1965).

These features were central to Pierre L'Enfant's plan of the Federal City, and central to Samuel Davidson's assessment of property values in the national capital. Davidson's dogged advocacy of a particular city plan testifies to the importance of design and the effect L'Enfant and George Washington expected from the plan. Rather than simply presenting speculators with an opportunity for a quick financial return, they hoped that the Proprietors and other property owners would become invested in the project by the prospect of continuing returns from the development of the city. The experience of Samuel Davidson and his heirs illustrates that city property was a sufficiently alluring and profitable investment, but this does not seem to have led to the development of the financially powerful landlord class envisioned by the city's founders. Instead, a study of the distribution of property ownership in Washington indicates that by 1830 a minority of the city's residents were renters and that most property in the city was owner-occupied.

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Although both Davidson brothers invested heavily in District property, Samuel Davidson was the driving force behind their purchases. Samuel orchestrated the purchase by John of the Port Royal lands, adjacent on the east side to the District territory owned Samuel.[169] According to the L'Enfant plan, the Port Royal tract prospectively included property adjacent to several public spaces, but did not include access to the planned major government buildings in the city. John Davidson only rarely transferred parcels of this property prior to his death in 1797. His heirs continued to hold most of the land until the 1820s.

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[169] For transactions related to the purchase of Port Royal by Samuel Davidson and its subsequent transfer to John Davidson, see Liber A, Deed Books for the District of Columbia, 1792 (National Archives, Washington, DC). Information regarding the extension of the District of Columbia into the Potomac River can be found in Arnebeck, Ibid.

In contrast, throughout the 1790s Samuel Davidson purchased property at several different times and places throughout the Georgetown and Washington City areas of the District. From his flat near the Georgetown waterfront, he oversaw property investments in Maryland and Virginia, as well as the District of Columbia. During the last twenty years of his life, he collected rental income from more than a dozen tenants, mostly in Baltimore and Annapolis. From 1790 onward he "totally declined all Mercantile transactions," and instead engaged in "adjusting" his affairs to those of the improving landlord, explaining with glee that he was "totally done with the Tobacco business."[170] Optimistic about the prospects of the new United States and the Federal City, he predicted that investments in the District would be "appreciating very fast" thanks to the stability brought by the "General Government."[171]

The transition from grasping merchant to retired gentry was more difficult than Davidson expected.[172] Tepid increases in the value of District lands forced him to remain a member of the mercantile community, at least in part, to the end of his life. This did not stop him from acquiring the trappings of genteel life. In 1801 he began construction of Evermay, a traditional three-story Georgian mansion and country seat of sorts on Georgetown's heights overlooking the waterfront. He owned slaves (but was not a slave trader), and in 1797

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170 Accounts with Davidson's various tenants can be reviewed in his Day Book, 1791 – 1809, Papers of Samuel Davidson. Davidson discusses his exit from the overseas carrying trade in Samuel Davidson to Peregrine Fitzhugh, August 22, 1792, to Duncan Davidson, January 20, 1793, to Joseph Barker, April 4, 1797, and others.
171 Samuel Davidson to Duncan Davidson, January 20, 1793, Papers of Samuel Davidson.
172 Discussion of the motivations behind land purchasing in the United States, and identification of some of the social groups engaged in acquisition of real estate, occurs in Lebergott, "The Demand for Land," *ibid*.

purchased a former Maryland tobacco plantation from its cash-strapped owner.[173] Evermay was a work in progress, but Davidson resided there as time permitted and hosted social gatherings there, on which occasions he received "company and the fulsome flattery of those who thirst for my grogg."[174] Despite his successful entrance into the Potomac region's polite society, the slow pace of development in the capital vexed him by complicating his financial position.

Davidson remained optimistic that land values would improve despite the perceived intransigence of the City Commissioners. He was particularly confident about the future value of his property in the area surrounding the planned President's House, especially the lots in square 127. According to L'Enfant's plan of the city, square 127 would border the future President's Square, a smaller version of which survives as present-day Lafayette Park. Over the course of the first half of the nineteenth-century, Davidson's property was sold off primarily as undeveloped plots of land. Initially, Davidson had plans to improve his property, and to that end crowded the streets with bricklayer's clay, irritating the District Commissioners. Their distress over his efforts to move construction forward only heightened his frustration at the slow progress of development. He wanted to construct buildings agreeable to the Commissioners "scale of improvement for the City," probably for sale, but had to satisfy

[173] Samuel Davidson mentions his farm property in his letters to George Davis, December 14, 1796, and to William Davidson, April 6, 1796, Papers of Samuel Davidson. Information about Davidson's slaves is found sporadically throughout his Letter Book, 1789 – 1809, on occasions when he wrote to outside parties in attempts to sell the slaves or their services.
[174] Samuel Davidson to John Swain, March 12, 1807, Papers of Samuel Davidson.

himself instead with short-term "temporary" buildings to use as rental property until the layout of the city was officially determined.[175]

Davidson believed that rapid development of the city was critical. He scolded the Commissioners for their "languid" planning efforts, and reminded them of the need to complete the "important task" of surveying the land so that he could receive compensation for the territory he had previously owned which was now claimed by the city. Davidson believed that the "fatal loss of the public opinion" in the Commissioners' abilities explained why they had failed to secure a loan for development purposes.[176] He would have been even more outraged to know that the Commissioners had no particular interest in securing borrowed funds, and that such an effort had been driven by L'Enfant in his attempt to obtain greater control over the administrative process.[177] He lamented the "firmness and effrontery" of the Commissioners, whose "mismanagement in the City Affairs" slowed progress to such a degree that in May 1793 construction of the "Presidents House and the Hotel" were the "only business...going forward in the City with any degree of Spirit."[178]

Despite his misgivings about the city's progress, Davidson remained a booster for his adopted hometown, recognizing that the end of investment in District lands could spell disaster for his own financial position, now heavily leveraged in District lands. Even after he had taken to referring to Washington as "our <u>ill fated</u> City," Davidson continued promoting the value of land and housing in the infant municipality. Explaining to his brother in Scotland that

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[175] Samuel Davidson to the Commissioners of the District of Columbia, June 1, 1792, Papers of Samuel Davidson.
[176] *Ibid*.
[177] Ibid., Arnebeck, *Through a Fiery Trial*, 321-330.
[178] Samuel Davidson to Francis Cabot, May 20, 1793, Papers of Samuel Davidson.

development was “going forward cleverly,” he claimed that his “property in Lots in that City, altho’ at present not very productive,” rendered him “very independent.” So independent, in fact, that he could “laugh at the man who would offer...less than One hundred thousand Dollars,” to purchase the land.[179]

Such promotion was especially important in the economic climate of the 1790s, wherein specie was “damnable scarce,” and land sales, or the perceived value of land, was increasingly important to maintaining Davidson’s financial solvency. Throughout the 1790s and early 1800s Davidson, who had previously acted primarily as a creditor, was now a perennial debtor, with debts weighing on him which made him “sweat at every pore.” His financial papers, once filled with records of attempts to collect debts from delinquents, are littered in the later years of his life with efforts to sell property at what he thought was a fair price, to secure loans using city land as collateral, and sales of lots at what he considered below market prices, often for a single dollar. Davidson’s constant promotion of the city’s prospects, and the economic returns he hoped his advocacy would engender, were an anxious effort to shore up the profitability of his investments.[180]

Davidson’s misgivings about the capabilities of the District Commissioners were based not just on the slow pace but also on the direction of city development. His “much valuable property therein, upon the President’s Square,” remained his central concern, and he was

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[179] Samuel Davidson to John Muir, March 12, 1796, to William Davidson, April 6, 1796, Papers of Samuel Davidson.

[180] Samuel Davidson to Archibald Moncreiff, September 20, 1796; for examples of Davidson’s debt collection efforts, see March 14, April 10, August 22, 1790 in Samuel Davidson, Day Book, 1790 - 1809; for Davidson’s attempts to sell property, see, for example, Samuel Davidson to Walter Mitchel, June 20, 1796, to Joseph Covachiche, August 3, 1796, and to George Davis, December 14, 1796; for Davidson’s attempts to borrow against his city lands see, for example, Samuel Davidson to Joseph Barker, April 4, 1797, and to Robert Burton, May 6, 1797, Papers of Samuel Davidson.

especially sensitive to any changes to the city plan which might negatively affect the value of those lots. He lamented sarcastically in 1797 that L'Enfant's plan of the city had been "casually lost or mislaid" in favor of a design by surveyor Andrew Ellicott which was "materially variant" from the previous plan. He considered this new design "highly injurious to the City" and "ineligant and very inferior in many respects to the original plan" because it compromised the "elegance and uniformity of the Square."

Davidson expected the visual appeal and intended use of the President's Square to have a direct impact on the value of the property that surrounded it. He could not "acquiese in the alteration from the original plan of the City of Washington, made in the President's Square" because it was "as injurious to the Public" as it was to him. The Commissioners had "no right to erect any building therein—except those attached to the President's House" because the original plan left "the whole space open for public convenience." Davidson was "in treaty" with "a Gentleman very able to put valuable Improvements" on "one of the Squares that would be affected" by construction of buildings in the previously planned open space. The deal, "which would be of service" to Davidson's other property because the new construction would increase the value of his remaining undeveloped land, was put at risk by the prospective elimination of the public square. Without the cachet associated with having a clear view of the President's House across an open space cultivated for public congress, both the property around the city center, and the city itself, would decline in value.[181]

[181] Samuel Davidson to the Commissioners of the City of Washington, August 14, 1797, Papers of Samuel Davidson.

Thus, instead of making "an alteration to the original plan, thereby benefiting the City," Ellicott's "numberless deviations" constituted a change "from the original plan, thereby injuring the City." Davidson's view that the surveyor's revisions fundamentally distorted the character of the city plan is shared by many modern architectural historians. He was so convinced of the merits of his position, and its implications for his finances, that he warned the Commissioners he was ready to file suit if they persisted in their designs. He never followed through on his threat to "get the opinion of the first legal characters in the State—nay, the Attorney General of the United States," even though he argued that their opinions would be "favourable" to his "pretentions." Instead he demurred, explaining that he considered the "public appearance of such eternal differences between the Commissioners and the Proprietors" more harmful to the District's future than allowing the Commissioners to have their way. In a final attempt to change the minds of his antagonists Davidson inferred that because their changes to the city plan would debase his property so severely, he would relinquish his "claims in this Square" so that the city could use it for "buildings for the Officers of Government, or foreign Ministers, as the public please." Davidson's bluff had no effect on the Commissioners.[182]

It was difficult for Samuel Davidson to make sense of the challenges planners faced in their effort to create a world-class Federal City. No doubt it was particularly vexing to him because he was never able to realize the kind of financial gains from his land purchases that he expected, at least not on the scale that he originally envisioned. In the early years of the

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[182] In addition to the August 14 letter, Samuel Davidson's views on the changes to the city plan are expressed in his two letters to the Commissioners of the District of Columbia of January 1797, Papers of Samuel Davidson. For the views of architectural historians on the design of Washington, D.C., see Joseph Passonneau, *Washington Through Two Centuries: A History of Maps and Images* (New York, 2004); and Amy Alexandra Ross, "Building the Municipal City" (M. Arch. Hist. Thesis, University of Virginia, 1992).

District's development, he blamed the ineptitude of the Commissioners for the lack of progress. Later he convinced himself that the "infernal war now raging in Europe," the French Revolutionary and Napoleonic Wars, were the drag preventing the growth of the District as the commercial center that George Washington and the city Proprietors had hoped.[183]

After the Commission finally did take action to move development of the city forward – bypassing L'Enfant, his ambitions, and his plan in favor of a different city design – Davidson disputed the wisdom of their actions out of concern for their impact on his own investments. More than a decade later he still felt wronged. In 1807, in an effort to build a case against District authorities, he wrote to L'Enfant asking him to confirm that at the public sale of land in 1791, buyers had purchased property around the President's Square with the understanding that these were "building squares nearer to the President's house" than any others in the city's design. His obsessive concern about the Commissioners' appropriation of his land to construct public buildings which would obstruct his other property's view of the President's House and Square proved unnecessary. The modest scale of government construction meant that Davidson retained property rights to those squares nearest the Presidential grounds, a circumstance which proved highly lucrative for Davidson's heirs.

Samuel Davidson did not grasp the larger problems which worked against rapid growth of Washington, D.C. into a great metropolis. In the early years of its existence, the federal government did not need a large administrative apparatus. Members of two of the three branches of the federal government – Congress and the Supreme Court – were seasonal residents, making up a large transient population who visited for a few months and left when

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[183] Samuel Davidson to Henry Davidson, January 10, 1797, Papers of Samuel Davidson.

the legislature or the Court adjourned for the year. Those who did stay in the city year-round were military servicemen, executive branch bureaucrats, boarding house administrators, and a smattering of shopkeepers and craftsmen. The Navy Yard, the most productive area of the city, was not useful as a long-term construction facility because its outlet on the Eastern Branch of the Potomac (now the Anacostia River) was not deep enough for construction of ships-of-the-line believed crucial to national security in the aftermath of the War of 1812.

Commercial enterprise in the city, lacking the historic transatlantic ties and established markets which characterized mercantile life in Boston, New York, and Philadelphia, did not experience the explosive growth city boosters had expected. In addition to the dearth of commercial infrastructure in the city, the natural deficiencies of the Potomac as a channel for the transit of goods dimmed the Federal City's prospects as a commercial thoroughfare. It was difficult to develop a commercial market in a space as large as the city's demarcated "ten miles square," a territory as extensive as that of any of Europe's much older great cities, given the virtual absence of a pre-existing population. The federal district's slow maturation weighed heavily on the hopes of George Washington and the region's boosters who had expected rapid growth of the city into the crossroads of the United States and the gateway to the west. Despite all these disabilities, however, Samuel Davidson's insights about the demand for urban property enabled him to construct a strategy for real estate investment that resulted in significant returns. The slow pace of the District of Columbia's growth meant that Davidson's heirs would be the main beneficiaries of his financial wisdom.

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Samuel Davidson, who by his own admission preferred the life of "the Batchelor," died childless in Georgetown in 1810 after a long, painful, and costly struggle with a "decayed Testicle." This condition may have been related to his frequent visits with prostitutes, the two-dollar-per-visit costs of which are diligently recorded in his Day Book along with physician serviceshave resulted from an advanced case of testicular cancer.[184] As requested, he was buried on Evermay's grounds, in a place where his "old bones" would not be disturbed, present-day Oak Hill Cemetery. In his will, Davidson split his vast landholdings among a smattering of nieces and nephews, including his brother John's daughters Margaret and Mary, and John's widow Eleanor. Anne Kerr, likely Samuel's grandchild through an illegitimate daughter, and John Harris, son of former business partner Thomas Harris, inherited significant tracts of land. The greatest beneficiary of Davidson's largesse, however, was his nephew Lewis Grant, who had immigrated to the United States in 1797. Davidson allotted to Grant the residue of his District lands, including the Evermay estate. The one condition Samuel attached to this inheritance was that Lewis assume the surname Davidson as his own. In 1811, an act of Congress made Lewis Grant Davidson one of the Federal City's largest landowners.[185] Lewis

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[184] Samuel Davidson comments briefly on his lifestyle in his letter to Joseph Barker, April 4, 1797. For his efforts to ameliorate his failing health see Day Book entries for Dr. Philip Syng Physick of Philadelphia, Dr. Davidge of Baltimore, and "the knavery of that lying scoundrel Doctr Thomas Sim," who clearly seems to have made Davidson's condition worse, in Day Book, March 7, 1810, Papers of Samuel Davidson.

[185] See the will of Samuel Davidson, Probate Records, District of Columbia Circuit Court, 1810, (National Archives, Washington, DC). Anne Kerr is prominent among the enumerated heirs to Davidson's fortune, "in consideration" of Davidson's "friendship for the memory of her grand mother, Anne." The will further specifies that Anne Kerr was next in line after Lewis Grant to inherit the residue of Davidson's estate, provided that her heir(s) adopted the Davidson surname. In the event that all of his extended relations were unwilling to become Davidsons, the will specified that the property should be sold and the proceeds donated to Columbia College, following George Washington's example. Lewis Grant settled the issue by changing his name to Davidson; see "An Act to change the name of Lewis Grant to Lewis

Grant Davidson and his wife Elizabeth "Eliza" Davidson finished Evermay's construction in 1817.[186] The Davidsons and their children, Margaret and Samuel Grant, continued to occupy the house throughout most of the nineteenth century. Over the years they incrementally sold the property inherited from Samuel Davidson.

Allan and Margaret Beattie Bogue's scholarship on land speculation in the Old Northwest provides an appropriate model for measuring the rate of return Samuel Davidson's heirs realized as they sold off the extensive real estate their benefactor had acquired over the course of his life. Some modifications are necessary, however, to account for the unique circumstances of the capital city. Like many of the city's original Proprietors, Davidson had bought land in the area east of Georgetown without knowing where and according to what dimensions the capital city would be laid out. It turned out that the District of Columbia, as the capital was officially named in1792, would include the preexisting cities of Alexandria and Georgetown, as well as the subdivision which was called the City of Washington or the Federal City. In this area between Rock Creek and the Eastern Branch of the Potomac, which included the President's House and the Capitol, the terrain was systematically divided according to the city plan into squares which were then parceled into lots. There was a bit of luck in the fact that Davidson's original land purchase became the grounds upon which the President's House was built. Davidson bought this property as a single large tract, and it was later sold as carefully surveyed lots. This difference makes the direct parcel-to-parcel comparison used by the Bogues untenable.

Grant Davidson," Journal of the Senate of the United States of America, February 6, 1811, in *Annals of Congress, A Century of Lawmaking for a New Nation*, http://memory.loc.gov/ammem/amlaw/lawhome.html.

[186] See the Administration of the Lewis G. Davidson Estate, (National Archives, Washington, DC), and the Lewis Grant Davidson Papers, Library of Congress.

Nevertheless, certain features of their analysis provide a useful model for evaluating the financial benefits of urban property investment. This involves taking the initial purchase price of any property and adding to it the cost of improvements made to the land and taxes paid on the land and improvements. Rents collected during the course of ownership are subtracted. This figure is then compared to the price of sale by the Davidson heirs to arrive at an overall rate of return. Determining an annualized rate of return is difficult because the Davidson property was sold off incrementally over a period of nearly four decades, making it impossible to have a direct date-of-purchase to date-of-sale figure for the number of years the assets were held. Using the mean number of years the lots were held by the Davidsons provides the best estimate of annual percentage rate returns on the original 1791 land purchase.

In the period between 1791, when Samuel Davidson purchased his first tract of Federal City property, and 1827, when Lewis Grant Davidson sold off the last lots he had inherited from his uncle's original land purchase, sales of the Davidson holdings yielded a 140% return, when adjusted for currency differences and inflation.[187] On an annualized basis this figure is less impressive, translating to about a 6.1% return on the investment made by Samuel Davidson at

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[187] Deed Records for the District of Columbia, Liber A – Z, A.A. – A.X, 1791 – 1820, W.B. #s 10, 12, 21, (National Archives, Washington, DC). Because only the Samuel Davidson and Lewis Grant Davidson land sales were found, the original investment in the land was considered 71% of the £6000 investment, or £4260 Maryland currency. No tax records for the City of Washington survive prior to the 1824 assessment, so tax liability prior to that year was calculated according to the lot values in that assessment based on the real property tax rates established by the Commissioners of the District of Columbia (this likely overestimates the amount of tax paid). The mean number of years the property was held was 23 years. All Maryland and sterling values were converted to their equivalent dollar values according to the methodology elucidated in John J. McCusker, *How Much is That in Real Money?: A Historical Price Index for Use as a Deflator of Money Values in the Economy of the United States* (Worcester, Mass., 1992), 333. In order to easily and accurately compare the real values of investments, tax, expenses, and returns across years, all dollar figures were converted to 2006 money using Lawrence Officer and Samuel Williamson's calculator on *Measuring Worth.com: A service for calculating relative worth over time* http://www.measuringworth.com/index.html, 2007. The consumer price index is the standard metric by which estate values are estimated over time.

the close of the eighteenth century. Still, in an economy growing about 1-2% per year, this represents a safe and profitable investment for the holders of urban land.[188]

	Purchase Price*	Number of Lots Divided	Lots Sold 1791-1830	Highest Sale Price	Lowest Sale Price	Median Sale Price	Mean Sale Price	Rate of Return
Samuel Davidson	$22,200	338	101	$1,760	$1	$374	$371	6.1%

* All dollar converted to US$ value in the year 1800.

Samuel Davidson's original £6000 land speculation included a little more than 20 city blocks as well as the land that would become the north lawn of the President's Mansion and President's Square.[189] Davidson began selling off property soon after he purchased it, but his initial sales brought little financial return. This did not stop him from buying additional land in the same area and land in different places around the city at government lot auctions in 1793.[190] He sold many lots parceled out of the original tract in the 1790s and early 1800s for a few shillings or a single dollar. Some of these sales were to friends and members of his extended family. Others went to business associates and may have been transacted to settle outstanding debts, although if this was the case the deed records do not reflect such circumstances. Prior to Samuel's death only a few lots were sold for any substantial return. According to the terms of his will, Anne Kerr received about a third of the land from the original purchase, and Lewis Grant inherited the remainder of the tract. The other beneficiaries were allotted real estate from

[188] Precise figures for economic growth during the early years of the republic are not easily calculated. See Gary M. Walton and Hugh Rockoff, *History of the American Economy, Sixth Edition* (New York, 1990), 216.
[189] A map of the original Proprietor's tracts overlaid a map of the city according to the L'Enfant plan is provided in Arnebeck, *Through a Fiery Trial*, following 374, *ibid*.
[190] Deed records, Liber B, 306.

Davdison's later auction and independent purchases.[191] As a result of the archival clarity of Lewis Grant's inheritance and divestiture of the property relative to the other heirs, for the purpose of calculating rates of return this paper focuses on just his assets.

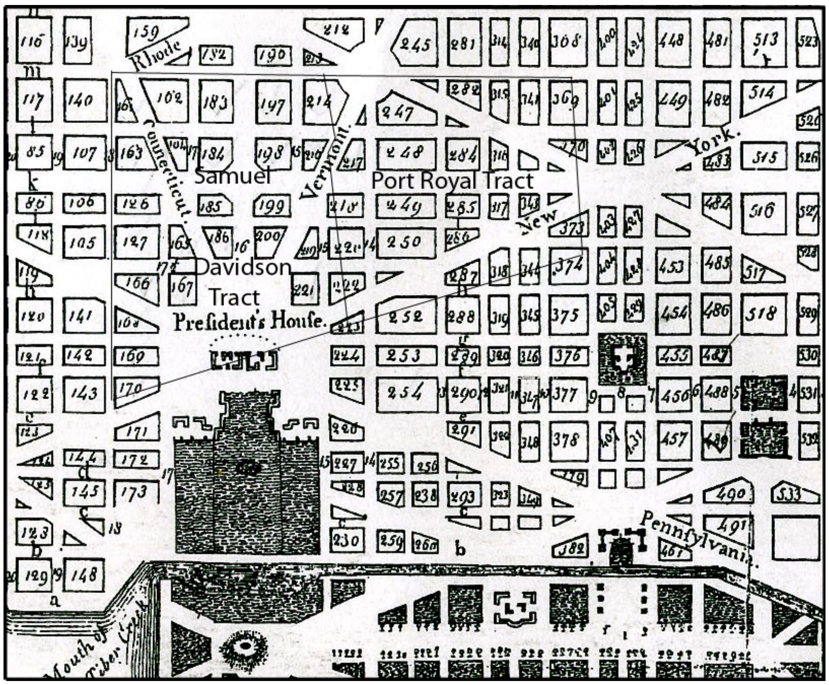

Figure 3: The Davidson tracts in the Federal City

It was during the War of 1812 that Lewis Davidson began selling lots for significant sums, and the number and value of lot sales continued to increase in the years after 1815. The apogee of these sales occurred in 1818, when Davidson sold 19 lots in square 167 to Stephen Decatur for $17,201. On this property bordering President's Square Decatur and his wife constructed their eponymous house which survives as a museum today. Clearly Decatur, naval hero of the War of 1812 and of the Barbary Wars and skirmishes, had funds in abundance with the $30,000 prize money he claimed from the wartime capture of the British frigate *Macedonian*. Nevertheless, the

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[191] Samuel Davidson was vague in his will about exactly what lands qualified as the "residue" of his estate bequeathed to Lewis Grant. In order to determine who inherited which properties, it was necessary to compare city square information from Samuel Hill, *Plan of the City of Washington in the Territory of Columbia…after the Year 1800*, with the map of the original proprietors' tracts in Arnebeck, *Through a Fiery Trial*, following 374, and cross reference them against the deeds of sale for that area in the city and the tax records from the 1824 tax assessment. From this it was determined that Lewis Grant Davidson inherited squares 126, 127, 161, 162, 163, 167, 168, 169, 170, 183, 184, 186, 217, 219.

purchase should not be dismissed as an anomaly born from the extravagant spending of the nouveau riche.[192] Although sale prices of other lots in the area during the same period put the $905 per lot price the Decaturs paid for the property at the high end of real estate sales, it did not fall outside the parameters of the local market. Davidson sold a lot in square 167 to Peter Hagner the same year for $761.42. In 1823, he sold seven lots in square 127 to John Wilson the Younger for $5,923.50. Adjusted for inflation, Wilson actually paid 13.5% more for his lots than Decatur.[193]

The fact that these high-value sales were of property fronting on President's Square is not accidental, and certainly would have come as no surprise to Samuel Davidson. Many of Samuel's early, single-dollar sales were other lots in these same squares, a fact that sharpened his ire toward the Commissioners. If he had known the prices his investments would fetch just a few years after his death, his irritation about the progress of city development and alterations to the city plan might have made his physical ailments seem like minor discomfort. Lots on President's Square sold for 3.4 – 24.3% more than lots in other parts of the Davidson tract. The biggest price differences occurred between property fronting on President's Square and property without access to a main boulevard or open square. For example, two months after Peter Hagner purchased his lot in square 168, George Walker bought a lot in square 106 for $611.80—nearly a $150 difference.[194]

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[192] Decatur's life is remarkably well documented. See Robert J. Allison, *Stephen Decatur: American Naval Hero, 1779-1820* (Boston: U. Mass Press, 2005), 127-28, 195-96, for information on his maritime prize money and about the purchase and construction of District land and the Decatur House.
[193] Liber A.R. #42, A.Q. #41, and W.B. #10, Deed Records for the District of Columbia, NARA.
[194] Libers A.M. #37, A.Q. #41, A.R. #42, A.T. #44, A.U. #45, A.W. #47, W.B. #10, W.B. #12, W.B. #21, Deed Records for the District of Columbia (National Archives, Washington, DC).

Lewis Grant Davidson did not restrict his activities in the real estate market to selling the property he inherited from his uncle. In 1795, Samuel Davidson purchased a portion of "Pleasant Hills & Mt. Pleasure" from James Whitz. In purchases in 1814 and 1815, Lewis bought the two remaining swaths of this tract of present day Washington, D.C. located just north of the territory laid out in the original city plan. He held the property until 1827, selling the land for $7,447.97. This represents a 2.3% annual gain on the original investment, a less impressive return than that on the Davidson tract around the President's House and Square, but still a substantial figure. No doubt Lewis Davidson expected the city to expand northward, increasing the value of his property, but most of this tract could not properly be considered urbanized until the middle of the nineteenth century.

John Davidson's heirs waited longer to sell the Washington City property they inherited from the Annapolis merchant than Lewis Grant had waited to sell Samuel Davidson's acquisitions. The relatively large number of John Davidson's heirs – five children and seven grandchildren – makes it difficult to determine the rate of return realized on the Port Royal purchase, but comparing the prices at which the lots sold is instructive on the dynamics of the capital real estate market in the 1820s and 1830s. Port Royal lay east of the Samuel Davidson tract and did not include the same number and caliber of open, public, and government building spaces within its borders. Nevertheless, it is clear from land sale prices in the area immediately east of the President's Square – land which was bequeathed to the minor children of John Davidson and held in trust by Lewis Grant Davidson – that the proximity of land to these features influenced the value of the property.

In 1838, lots in squares 371 & 372 (at the intersection of New York, Massachusetts, and K Streets and fronting on Mount Vernon Place) sold at auction for 4 cents per square foot, while property just 2 blocks north in square 368 sold for slightly more than 1 cent per square foot, and land just north of that in square 367 was purchased for a quarter penny per square foot. The exception to this general rule is the bargain prices William Corcoran got on his purchase of lots in squares 213, 214 and 215, where lots cost 1 ¼ cents per square foot, despite their location on present-day Thomas Circle at the intersections of Vermont and Massachusetts Avenues.[195] It may be that this property was too far removed from the more settled areas of the city to fetch a high price at auction. Conversely, the fact that the land sold at all is a testament to the value attributed to its location, since a number of properties went unsold at the auction on account of "prices below their proper value" in the judgment of estate's trustee. This sale of lots in more northern areas of the city may reflect the expectation that their long-term value was more likely to increase because of their situation.

The Davidson land sales raise questions about the nature of the next generation of city property owners. The transactions indicate that they did not transfer the land wholesale to another large real estate speculator, although many individuals who did buy land from them purchased more than one lot. Most buyers were city residents who acquired five or fewer lots, or just a single lot. Nevertheless, about half of the lots sold by the Davidsons went to purchasers of multiple properties, including Decatur, William Corcoran, A. Rothwell, and two

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[195] Chancery Court Files estate sale October 18, 1838 (National Archives, Washington, DC). The information in these later records is more precise than the earlier deed records, allowing the price per square foot specificity which is not possible using the deed records.

non-residents, John Wilson of Maryland, and Richard Rush of Philadelphia. All of them opted to purchase in the most genteel quarters of the city.

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The slow lot sales of Washington's early history gave way by the end of the 1810s to a dynamic real estate market. The change testifies to the uncertainty associated with urban land speculation. A worthwhile investment in city property needed to meet certain criteria. Samuel Davidson's efforts to ensure that the Federal City developed, and did so according to its original plan, demonstrate that navigating the real estate market in a new city was complicated but could also be financially rewarding. The urbanization of the landscape in a way that was visually appealing and promoted social and civic interaction was crucial to financial gains in urban speculative projects. Implementation of the city plan anticipated significant financial returns for the original landowners and encouraged people to hold onto their assets until development occurred. It was when the city was built, when these refined features actually appeared, that property sale prices would be highest. This was both a blessing a curse for the new Federal City. The funds required for development did not become available until after construction of the city had already begun. The city's tax assessment records demonstrate that many people stayed invested in the city long-term, most probably waiting for some level of appreciation to occur in the value of their investments.

Samuel Davidson did not think of investment in land the same way that it is conceptualized in modern America, even though he used comprehensive standards to asses the value of his property. He always used the term "speculation" to describe his land acquisitions in the District, and obsessed over the rapid improvement of the city and the returns he hoped to realize from that development. Clearly, however, he was doing more than simply "holding for a rise" in the price of land so that he could sell and realize quick financial gain. Whatever his intentions, Samuel Davidson did not become the kind of developing landlord envisioned by the city founders. Significantly, Lewis Grant Davidson did engage in the kind of real estate investment expected of the Proprietors at the founding of the Federal City. After selling off his uncle's property for large sums, he turned his financial eyes northward, buying undeveloped land adjacent to the territory planned by L'Enfant in present-day Northwest Washington.

Despite all of Samuel Davidson's vigorous protests, the changes made to the L'Enfant plan did not eliminate the capital's refined spaces. The revision and simplification of the city's design by Andrew Ellicott and others retained, in principle at least, many of the features associated with the French engineer's original script. The changes still frustrated Samuel Davidson, perhaps because by the time he died too many trees still stood where he had long expected to see streets and buildings. Nevertheless, his arguments with the Commissioners illustrate the depth of his conviction about the importance of the city's appearance to the value of the property located therein. The influence of design was not as dramatic as Davidson and others believed – maps alone could not fill up the vacant areas of the new capital. Despite the delays and complications, investment was attracted to the new city, which developed in accordance with the plan, and the value of city property increased. Although government lot sales never raised enough money to fully fund the construction of public buildings, lot sales did provide the business community with capital resources to reinvest in the city.[196] On one front the efforts of the city founders were a success.

Exactly how much development the evolving landlord class conducted is unclear. Except for a few scattered lot improvements, the Davidsons did not use the capital they acquired in land sales to participate in a District construction campaign. That task may have been left to the next generation of landowners who would have benefited from an increase in the demand for land and housing following expansion of the federal employment rolls in the 1820s and 1830s. What is clear is that after the War of 1812 there was a significant increase in the amount of investment and construction which led to an economic boom Washington had not previously experienced. The landowner-developer class originally expected to arise in the early years of the capital's existence became relevant for the first time, but they were clearly not the only ones who participated in the growth and improvement of the national capital.

The city's tax records show that the people most interested in owning property in the Federal City were residents who purchased land on a relatively small scale for their own use or investment purposes. Instead of the formation of land or housing fiefdoms, a large group of independent property holders populated the city. The city plan effectively made local property ownership more appealing to everyone, not just the region's wealthiest individuals. As a result, a growing middle class of individuals and families incorporated the ownership of city lots into their plans for financial security and personal investment. This was not really the intent of the city's founders, but it was an effect of plans laid down when the capital was created. Thus, the

[196] The first decades of the capital's development are chronicled in Bob Arnebeck, "Seat of Empire: A History of Washington, D.C., 1790-1861," http://www.geocities.com/bobarnebeck/introduction.html.

most interesting part of this period of the city's history is not the failure of the city to develop according to the careful plans laid out by the original visionaries. Instead, the experience of early Washington, D.C. demonstrates that despite the misjudgment of the city's natural advantages, despite the questionable commitment of the federal government to the District, real economic expansion occurred within its boundaries as a result of planning done at its inception. These developments helped cement the city's existence as an economic entity and by extension its legitimacy as the capital of the United States.

Chapter 3

The First Reconstruction:
Rebuilding Washington City after the War of 1812

On August 24, 1814, a 4,500-man British army routed a hastily assembled 2,000-man American defense force at Bladensburg, Maryland. News of the defeat sent federal officials scurrying from Washington, and British forces occupied the city that afternoon and burned all the public buildings except the Patent Office.[197] Few Americans today could find Bladensburg on a map, but at the time the "Bladensburg Races" – so labeled in honor of the Americans' hasty retreat – were what one historian has called "the greatest disgrace ever dealt to American arms."[198] The battle and subsequent conflagration called into question the capacity of the federal state, the competence of its officials, and Washington's fitness to serve as the seat of government.

The British occupation lasted just one day, and when Congress reconvened in the Patent Office in Washington in September 1814 they immediately began to debate moving the seat of government, at least temporarily, to another locale. Some members of Congress had long hoped to secure a removal to their own constituencies and the destruction of federal Washington presented a ripe opportunity. Congressman Jonathan Fiske of New York was certain that among the public "few if any imagined the nation's councils would continue here." Confidence in the nation depended on "the security of the public councils and the safety of the

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[197] Anthony S. Pitch, *The Burning of Washington: The British Invasion of 1814* (Annapolis, Md.: Naval Institute Press), 99-129. Carole L. Herrick, *August 24, 1814: Washington In Flames* (Falls Church, Va.: Higher Education, 2005).
[198] David Walker Howe, *What Hath God Wrought: The Transformation of America, 1815-1848* (New York: Oxford University Press, 2007), 63.

public records." "Menace this safety," he warned, and "the public credit is shaken."[199] It would be better, Fisk reasoned, for Congress to remove to "a place of safety," where news was more readily available and where the federal government was better "connected with the moneyed interest of the nation; where they could have a better opportunity to call into action the resources of the nation."[200] Somewhere, for example, like New York City.

The sudden currency of this view represented a reversal of fortune for Washington after its rapid expansion since the federal government arrived in 1800. Although Philadelphia, New York, and Baltimore were far more populous, Washington's rate of population growth had outpaced all of these cities. Large-scale construction projects had been completed, including bridges over the Potomac and Rock Creek and the south or House wing of the U.S. Capitol. Despite this progress, the unfinished character of Washington City kept its role as the seat of government in question. Appropriations requests for the Capitol building project seemed to have no end and provided repeated opportunities to reopen debate over the location of the federal seat of government. Paradoxically, consistently revisiting the question of Potomac residence had fortified Washington City's place as the seat of government. Settling these debates required that Congress reaffirm its commitment to Potomac residence and invest in its prosperity. The 1811 expiration of the charter of the First Bank of the United States and renewal of the District's banks' charters led to dramatic expansion of capital supply in Washington that underwrote a small boom in the city's real estate and construction industries. At the beginning

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[199] Annals of Congress, 13th Congress, House of Representatives, 311.
[200] ibid, 314.

of the second decade of the nineteenth century there seemed little to challenge Washington's future prosperity and its place as the political center of the United States.[201]

The events of August 1814 threatened to reverse this progress, recalled the insecurity of Washington's position as the federal seat, and highlighted the shortcomings of the federal-city relationship. These longstanding divisions had made Congress reluctant to step into District affairs or act to encourage the growth and prosperity of Washington City. Beyond Capitol construction, the federal government had taken few steps to encourage Washington City's development. It left the paving and improvement of nearly all streets besides Pennsylvania Avenue to the Corporation of Washington, which limited taxing and spending authority to the provisions of the city's 1802 Congressional charter.[202]

Congress conducted an extensive investigation into the capture of Washington City. This inquiry focused on government, military, and militia officers' failures to prepare the District's defenses as well as disasters in the field during the Battle of Bladensburg, at Fort Washington, and in the surrender of Alexandria. The investigation highlighted the threat an invading army posed to the republic so long as the federal government remained in Washington City, effectively offering an extended argument in favor of removing the seat of government. The investigation mostly ignored the fact that the federal government took no role in organizing the District's militia and even exempted it from federal funding through the Militia Act of 1808, which applied to all the states. Typically fewer than 100 Marines were stationed at the Navy Yard at any one time. This left primary responsibility for defense of

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[201] Constance M. Green, *Washington: Village and Capital, 1800-1878 Volume I.* (Princeton, N.J.: Princeton University Press, 1962); Wilhelmus Bogart Bryan, *A History of the National Capital from its Foundation Through the Period of Adoption of the Organic Act, v.1* (NewYork: Macmillan, 1914).
[202] Ibid, 218-20.

federal headquarters to officials from the District's three cities, who made little effort to integrate or streamline the organization or operation of local forces.

Considering these facts, Virginia Congressman Joseph Lewis thought it unfair to lay all blame for the recent disaster on the city's fundamental failings or the shortcomings of local leaders, obliquely chiding his colleagues instead. "If proper preparations for resistance had been made by those whose duty it was to have made them, Washington would have been safe against double the number of invaders," he said, adding that Congress should do its duty "by compelling others to do theirs."[203] Other members spoke for the people of the city. South Carolina's Samuel Farrow defended their honor – led by "proper officers" he was confident the men of the District would "always do their duty and defend their city."[204] Thomas Newton of Virginia reminded his colleagues of the "hundreds and thousands of individuals" who had with confidence in the "permanency of the Seat of the National Government" expended "their all in its improvement, who will be reduced to beggary and want if this resolution is adopted."[205]

Nathaniel Macon of North Carolina confessed that although he had no particular affinity for the city he did believe that the authors of the Constitution intended a permanent seat for the republic and that if it were "set upon wheels, there was no saying where it would stop." Macon likened a removal to under current circumstances to a man abandoning his property simply because "banditti" had burned down his house.[206] But New Jersey's Richard Stockton thought this overstated the intent of the Constitution's residency clause. Congress had moved its seat of

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[203] Annals of Congress, 13th Congress, House of Representatives, 312.
[204] Ibid, 316.
[205] Ibid, 313.
[206] Ibid.

business before, in response to epidemics and just recently in advance of a military threat. It made little sense that the Constitution's designers "thus imprisoned their government" or "fettered" its people when circumstances might call for a change in policy.[207]

The war clarified the characteristics an effective seat of government: access to capital; convenient transportation, housing, and other infrastructure; effective administration of local order and defense. Washington's boosters understood that catering to Congressional needs and convenience was critical to retaining the seat of government, but it remained difficult to channel the District's varying and often competing interests toward this goal. Detractors' argued that remaining in Washington City was impractical under the circumstances. The apparent accuracy of this argument made rapid reconstruction of the public buildings and finding facilities for the government's interim use a top priority. To this end, six District banks organized a $500,000 loan to fund public construction, and the city's proprietors made buildings available for federal housing and offices during reconstruction.[208] This swift action marginalized detractors' objections but made retaining Congress contingent on satisfying expectations about the schedule and cost of construction. The optimistic projections made by Potomac boosters to satisfy these expectations became fodder for criticism as construction lasted far longer and cost a great deal more than any of Washington's advocates were prepared to guess.

In the years before the war, Congress had been content to allow the city to develop according to the interests and designs of local elites, a benign neglect that left the potential of the republic's center city unfulfilled. Washington City was founded to serve the needs of the

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[207] Ibid, 346.
[208] William C. Allen, *History of the United States Capitol: A Chronicle of Design, Construction, and Politics* (Washington, D.C.: Government Printing Office, 2001), 99-102.

federal government, but the war demonstrated both that those needs were greater than originally realized and that the resources of the federal center were underutilized. In order to effectively govern from the center, Congress needed to assume governance of the center. It was a change welcomed by city leaders, who wanted nothing more than federal government participation in District affairs.

The slow advance demonstrated that the old methods of construction financing and supervision were inadequate to building the sort of center city needed to effectively govern an extended republic. Old rivalries between landowners over the relative development of their sections of the city renewed when questions about public construction were reopened. Added to this was a large corpus of federal officeholders, city residents and officials, and a partisan press, all with particular opinions about the rebuilding process and a front-row seat to the proceedings. As a result, funding, labor, and materials shortages produced construction delays, disputes, and mistakes that had political as well as a practical consequences for the city's role as the federal seat. When disagreements and operational inefficiency sent construction foundering, Congress streamlined administration of the project and assumed direct responsibility for funding and overseeing completion of the buildings. These actions instituted a management structure that ensured the construction of a federal complex on a scale that matched the original intentions of the city's planners including, for the first time, a fully built U.S. Capitol.

In order to realize this goal, federal authorities pushed aside gentleman administrators in favor of professional engineers and civil servants working under a centralized management structure. Historians have long considered events at the federal armory in Springfield, Massachusetts, a formative case of management success at solving the production problems posed by costly labor. Although operations at Springfield benefited primarily from technological innovation, many of the management innovations and processes developed and implemented by Colonel Roswell Lee at Springfield were effectively implemented during Potomac reconstruction.[209] Lee's imposition of a unified chain of command, negotiation and enforcement of year-round labor contracts, regular progress reports, and cost estimates and accounting for labor and materials supply were vital to the armory's successful operation.

Many of the same or similar management innovations were implemented in undertaking the Potomac reconstruction project. Significantly, both endeavors were conducted under federal government auspices, a circumstance that marginalized concerns about capital scarcity. In both cases, efficient operations were hampered by a divided chain of command and uncertainty about the authority of the individual officially in charge of operations. Recruiting and retaining the necessary laborers was also difficult in both instances. In contrast to arms production, building construction benefited little from labor-saving technological innovations. This difference required managers develop an alternative method of controlling labor costs, and they delivered using a political and military power rather than a technological innovation.

Ensuring the security of the federal government at its headquarters had been a central issue in the debate over creating a seat of government. In 1783, a torches-and-pitchforks protest outside the Philadelphia statehouse by former Continental Army soldiers in the Pennsylvania line had turned into a musket-fire mutiny when the state legislature proved unresponsive to the

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[209] Alfred D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Ma.: Belknap, 1977), 73-75, is credited with popularizing Roswell Lee's managerial insights. Merritt Roe Smith, *Harpers Ferry Armory and the New Technology: The Challenge of Change* (New York: Cornell University Press, 1977), 125-40, provides a more systematic evaluation of Lee's contributions.

soldiers' demands for back pay. The incident had spurred a Congressional evacuation to Trenton, New Jersey.[210] The experience fixed in the minds of many Congressmen the danger of leaving responsibility for security in the hands of local authorities and provided the strongest argument for exclusive jurisdiction over the seat of government.[211] Although no one disputed federal sovereignty over the District, the capture of Washington showed that exclusive jurisdiction meant little if the government chose not to exercise that authority. In the aftermath of the humiliation of August 1814, the Capitol Stonecutters Strike of 1818 presented the first opportunity for authorities to publicly assert their power and enforce order at the seat of government.

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Congress devoted much of September and October 1814 to the debate over removal of the seat of government from Washington. In the end, the House of Representatives rejected the bill to decamp by nine votes, 83-74, and the Senate by seven votes, 20-13.[212] Reconstruction of the public buildings was addressed in separate legislation, and the House created a select committee to study the issue and report on the different construction proposals. The committee, after consulting reports by "several architects and mechanics of reputed skill and character" reached several important conclusions.

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[210] Kenneth R. Bowling, "New Light on the Philadelphia Mutiny of 1783: Federal-State Confrontation at the Close of the War for Independence," *The Pennsylvania Magazine of History and Biography* 101, no. 4 (Oct., 1977) 419-450, is the classic study of this incident. Mary A. Y. Gallagher, "Reinterpreting the 'Very Trifling Mutiny' at Philadelphia in June 1783," *The Pennsylvania Magazine of History and Biography* 119, no. 1/2 (Jan. – April, 1995), 3-35, is perhaps more relevant to this characterization.
[211] Kenneth R. Bowling, *The Creation of Washington, D.C.: The Idea and location of the American Capital* (Farifax, 1991), 31-42.
[212] Annals of Congress, 13th Congress U.S. House of Representatives, 395-96; Annals of Congress, 13th Congress, U.S. Senate, 222.

First, they concluded the walls of the buildings "had not been materially damaged," and could be used in rebuilding. Second, based on the $1.2 million spent on first construction, and current estimates by the experts, reconstructing the Capitol and President's House would cost $458,000. Third, based on this assessment the buildings should be rebuilt at their previous sites. The committee did not discuss the "supposed permanency" of the buildings' original sites and the value of "adjacent and contiguous property" which would become "comparatively valueless" if the buildings were moved. But they felt it important to mention the matter in the report anyway. Also, although not "specifically enjoined" to consider proposed $500,000 in loans from the District banks, they thought it "not irrelative to the object of their inquiries."[213] The Committee submitted legislation in the House to enact these recommendations into law. Amendments were offered to change the location and reduce the size of the buildings, but the bill passed the House without changes and went to the Senate where members tried similar amendments without success. The final bill authorized the president to accept the loans from the banks and gave him full authority over the rebuilding process.

Following the template for city development laid out in the Residence Act of 1790, President Madison created a three-member presidential commission to oversee construction. City leaders John Philip Van Ness, Richard Bland Lee, and Tench Ringgold agreed to serve on the Board of Commissioners. The Board hired James Hoban to reprise his role as supervisor of construction at the President's House and Benjamin Henry Latrobe as superintendent at the Capitol. Latrobe was a bit of a risky choice. Under President Jefferson's direction, Latrobe had overseen construction of the Capitol's original south wing, and the House of Representatives

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[213] American State Papers, Miscellaneous vol. 2, no. 375, 253-53.

chamber their collaboration produced was widely considered an architectural marvel. As a result, Latrobe's talents were respected but it was well known that his designs and tastes tended toward a level of grandeur and ostentatiousness incompatible with economical construction. He was also often temperamental. The commissioners concluded that hiring "persons having, besides their acknowledged talents in their respective arts and trades, the advantage of being acquainted with facts and circumstances immediately connected with the buildings, and relating to Workmen, Meterial, & c. here, which strangers could not have," was too great an advantage to forgo.[214]

The public buildings were very large-scale enterprises, employing at the height of construction more than 350 men at the Capitol and 150 at the President's House. Of the men who worked on the buildings, the stonecutters were the most frequently insubordinate and confrontational. This had been the case during the city's original construction and again proved true during the rebuilding project. This was a result of the unusual labor market conditions created by public construction in Washington City. Stonecutting was an uncommon skill in early America. During the eighteenth and early nineteenth centuries, most private dwellings were wooden frame or raw timber structures, with brick construction more common in cities. Nearly all the great public buildings in the U.S. were built of brick. Rubblework buildings—masonry done with irregular stones that required little or no cutting and shaping—were occasionally found in New England and in river towns near and above the fall line where rocks

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[214] John Van Ness to Samuel Irving, 8 May 1815, Records of the District of Columbia Commissioners and of the Offices Concerned with Public Buildings, 1791-1867, Letters Sent, National Archives, Washington, D.C. Hereafter cited as RDCC, Letters Sent.

were plentiful.[215] The relative abundance of these various materials meant low demand for laborers skilled at working freestone, the large blocks of quarried rock soft enough for precision cutting but strong enough to support large structures.

These material circumstances had shaped the built environment of the Federal City. Despite officials' best efforts to recreate Europe's stony urban landscape on the Potomac, relatively few stone buildings existed in Washington City in 1815. In September 1791, the original Board of Commissioners, at Thomas Jefferson's urging, had approved regulations requiring brick or stone construction for all buildings in the Federal City.[216] City founders imagined the regulation might attract stoneworkers to the city, since the "public buildings alone will require a great deal of work and hope, and expect before that can be done, private buildings will make a very considerable demand" for stonecutters and masons.[217] After a few years the city commissioners were forced to admit that sufficiently skilled stoneworkers were "not to be had in this Country" and even worse, the "few here have us under command as to terms."[218] Efforts to recruit German artisans and "French Mechanicks" failed, and in three separate disputes over wages the commissioners acceded to the stonecutters' demands and increased wages to prevent work stoppages.[219]

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[215] Fiske Kimball, *Domestic Architecture of the American Colonies and of the Early Republic* (New York: Dover, 1966), 47-62.
[216] Memorandum for Thomas Jefferson with Jefferson's Answers and Notes, c. 27 August-8 September 1791; Queries for the D.C. Commissioners, 28 August 1791, *The Papers of George Washington Digital Edition,* Edward G. Lengel, ed. (Charlottesville, 2007), URL: http://rotunda.upress.virginia.edu/pgwde.
[217] Commissioners to Collin Williamson, 12 April 1792, RDCC, Letters Sent.
[218] Daniel Carroll and William Thornton to James Greenleaf, 27 October 1794, RDCC, Letters Sent.
[219] Commissioners to Collin Williamson 7 June 1794; to to Messrs. Hicks, Maitlands, Ore and Hakesly 19 May 1794; to the stonecutters at the Capitol, 16 April 1798; to the stonecutters at the President's House, 17 April 1796; and to John Miller 7 May 1798, RDCC, Letters Sent.

In 1796, the government suspended its unlikely effort to transform the construction materials market via regulatory provision. President Washington, following the recommendations of city proprietors and commissioners, signed a new order allowing individuals to construct wood frame buildings everywhere in the city except within two blocks of the public buildings. Little changed during the city's first decades, and successive presidents renewed this temporary measure each time it expired. For the ongoing construction at the Capitol the government continued to use freestone, despite efforts by parsimonious Congressional critics to force a switch to brick or wood construction. Reconstruction of the President's House and Capitol, the largest freestone masonry projects undertaken in America to that point, turned Washington City into the country's largest market for skilled stonecutters. At the same time, there was little other work available in the city that required their specialized skills. This combination of circumstances made stonecutters critical to the progress of public construction but kept downward pressure on their wages. This wage dynamic was unique to the stonecutters and a constant source of frustration and friction between the craftsmen and their employers.

The commissioners hired master mason George Blagden, still resident in Washington City, to reprise his role as inspector of stone and supervisor of all stoneworkers – cutters, setters, joiners, and carvers – employed on the public buildings. In order to obtain sufficient numbers of stoneworkers for the reconstruction project the commissioners advertised widely, writing away to contacts in Philadelphia, New York, and Boston offering "liberal wages" to men willing to remove to the Potomac.[220] Although the commissioners were confident the city could find sufficient laborers in America to complete the buildings' exterior stonework, they decided the Capitol's finer interior stone and marble work required more sophisticated talents. At Latrobe's urging, the commissioners hired artisan Giovanni Andrei and engaged him in an elaborate plan to travel to Italy to recruit carvers and sculptors and select Carrera marble of sufficient quantity and quality to ornament the columns of the House and Senate chambers.[221]

The difficulty obtaining quality building materials added to the managerial challenges of the public works. Marble was the most difficult material to acquire and freestone was a close second. The original commissioners had been fortunate to find a supply of stone within the District, in the vicinity of today's Foggy Bottom, and at Aquia Creek in Virginia, but much of this rock was quarried out. After fits and starts the Commissioners contracted for shipments from quarries on the Delaware River south of Philadelphia and on Maryland's Eastern Shore; these arrangements produced sufficient, if frustratingly irregular, shipments of quality exterior freestone.[222] In an effort to save the time and expense of shipping interior freestone and marble from Italy, Latrobe suggested investigating several sites in the Potomac region where usable

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[220] Quote from John Van Ness and Tench Ringgold to Aaron Sergeant, 25 April 1815; see also Van Ness and Ringgold to Sergeant, 29 April 1815; Van Ness to Samuel Irving, 8 May 1815; Commissioners to William Wightman, 26 May 1815, RDCC Letters Sent.

[221] On the origins and planning of this mission, see Richard Lee and Tench Ringgold to Giovanni Andrei, 12 July 1815, and John Van Ness and Richard Lee to Andrei, 8 Aug. 1815; Van Ness and Lee to Navy Secretary Benjamin Crowninsheild, 12 Aug. 1815; to Richard McCall, Consul at Barcelona, 15 Aug. 1815; to Treasury Secretary Alexander Dallas, 9 Oct. 1815; and to Baring Brothers, London, 21 Oct. 1815, RDCC Letters Sent.

[222] See, for example, Commissioners to Thomas Swann, 4 April 1815; to Charles Constable & Co., 19 April 1815; to John Moore, 25 April 1815; to Cooke & Brent 31 May 1815, RDCC Letters Sent.

marble might be found. The commissioners thought this was a good idea and authorized Latrobe to make the necessary inspections and report back.[223]

Members of Congress were hopeful one wing of the Capitol would be completed in time for the December 1815 session of Congress. Latrobe informed them that a one-year timetable was impossible, and he and the commissioners laid out a two-year schedule for reconstructing the public buildings. They projected the north wing of the Capitol and the President's House could be completed by the end of 1816, that the Capitol's south section and the executive office buildings could be finished by the beginning of 1818, and that the Capitol's center section would be done by the end of 1818.[224] No one seemed to think these estimates overly optimistic.

Quarrying local stone became one of the rebuilding project's great frustrations and reasons for delay. Although finding local stone had been Latrobe's suggestion, actually getting him to investigate and establish quarrying operations was a major point of contention between the architect and the Commissioners.[225] Another source of friction was Latrobe's habit of taking weeks- or months-long trips to Pittsburgh, Baltimore, and Philadelphia to supervise other building projects, a violation of the spirit if not the letter of his contractual agreement with the Board. Latrobe requested the Board hire him "a Clerk or subordinate agent"—an assistant – to help administer the public works. The commissioners recognized the request was part of a strategy by Latrobe to make his extramural adventures easier by having someone at the Capitol to act in his place. The commissioners refused and reminded Latrobe he had been hired

[223] Benjamin Latrobe to John Van Ness and Richard Lee, 26 Aug. 1815, , Records of the District of Columbia Commissioners and of the Offices Concerned with Public Buildings, 1791-1867, Letters Received, National Archives, Washington, D.C. Hereafter cited as RDCC, Letters Received.
[224] Commissioners to James Madison, 28 Aug. 1815, RDCC Letters Sent.
[225] Commissioners to Benjamin Latrobe, 4 March 1816, RDCC Letters Sent.

because he was thought “competent to handle the task” by himself, and told him “that consideration was one of the principal reasons” for hiring him since they “supposed it would expedite the reconstruction & Completion of the Public Buildings.” In a backhanded compliment they expressed confidence they “would not have been disappointed in this expectation, had your attention not been considerably diverted from the Capitol, and divided between that and a variety of other objects independent of, and unconnected with it.” And they agreed to a $500 pay increase.[226]

Latrobe did eventually inspect the quarries and became enthusiastic about the reddish marble at a site in Loudoun County, Virginia. The Board approved plans to use the marble and contracted out the operation of the Loudoun quarry. With his business outside Washington mostly settled, Latrobe began working a regular, part-time schedule at the Capitol that allowed him to pursue other building projects around the city, endeavors seemingly vital to his financial health.

Freestone was arriving in the city in greater quantities, and the Board had to settle on appropriate wages for the stoneworkers. The commissioners had originally advertised a $2 per day wage for stonecutters. Latrobe preferred a piece-rate pay system rather than a daily wage; Blagden disagreed. Latrobe advocated for a piece-rate with enthusiasm that bordered on evangelism, recalling the story of a stonecutter offered an $8 piece-rate for each column-block carved instead of a $2 daily wage. As a result, “he began & finished one in a single day. It is true, he destroyed his health & lost his life ultimately by that day’s work, but had he even taken

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[226] Commissioners to Benjamin Latrobe, 29 Dec. 1815, RDCC Letters Sent.

two days to the business and saved his life, he would have earned double wages."[227] The commissioners were mainly interested in "expedition and cheapness." They decided flexibility was the best policy, and told the men to implement whatever system was "most conducive to the public interests, regarding economy, celerity & fidelity of execution, until further experience and a change of circumstances may indicate the propriety of a different course."[228] A piece-work system was implemented.

In August 1815, Van Ness and Lee reported to President Madison that they were making good progress on the buildings despite difficulties "procuring materials (particularly Stone) and in collecting artizans, more especially Stone Cutters, as can reasonably be expected."[229] Much of the spring and summer of 1815 was spent tearing down and removing the parts of the Capitol and President's House that had been structurally compromised by the fire. Once the demolition was completed, seemingly endless supply problems meant actual construction work was only irregularly engaged. These delays combined with a piece-rate system left many workers, particularly the stonecutters, without pay. Workers in all lines began taking other jobs around the city as opportunities came available. In response, the commissioners declared "no Mechanics in their employment, can by the consent or direction of their superior public agents be permitted to withdraw from any of the public works for the accommodation of any private or other building" without the Board's express permission.[230] The prohibition produced a general work stoppage just as actual construction work was beginning. Carpenters and bricklayers at the President's House demanded a change to a daily wage, as did the stonecutters

[227] Allen, *History of the United States Capitol*, 107 and ff. 33.
[228] John Van Ness and Richard Bland Lee to Benjamin Latrobe, 28 Aug. 1815, RDCC Letters Sent.
[229] John Van Ness and Richard Bland Lee to Benjamin Latrobe, 28 Aug. 1815, RDCC Letters Sent.
[230] Commissioners to Benjamin Latrobe, 24 Aug. 1815, RDCC Letters Sent.

at the Capitol, who also asked for a raise from their old daily rate to $2.25 per day to match the salaries of stonecutters recently recruited from New York.[231] The commissioners, more concerned about the progress of construction than the details of terms of employment, agreed to the workers' demands, cautioning them to "reflect on the permanency of your present employment and the certainty and punctuality of your pay" if in the future they considered leaving public service for "trivial objects."[232]

Soon after the pay question was settled, Latrobe revealed to the Board that while in discussions with a group of Senators he had developed a plan to enlarge the Senate chamber beyond its old confines and beyond the dimensions decided upon during reconstruction planning. The commissioners were frustrated to find they had not been consulted on such a significant change, made well after construction preparations had begun according to the original plans. They were even more irritated when Latrobe began using the Senate addition as an excuse to neglect his duties and to explain why certain tasks remained incomplete even though they had been assigned "well before any change was in contemplation."[233]

The wage settlement with the workers lasted only for the winter; by March 1816, the stonecutters demanded another increase to $2.50 per day. Carpenters, joiners, and bricklayers at the Capitol followed suit. The men engaged in "disorderly conduct" towards supervisor Leonard Harbaugh and "grossly neglected their business" as a form of protest.[234] The Board ordered "Joiners Farrell, Tweedy & White Junr.,"dismissed along with their collaborators.

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[231] Richard Lee and Tench Ringgold to Joseph Smith, Nathan Hays and Samuel Lothers at the President's House; John Van Ness and Richard Lee to the Stone Cutters at the Capitol, 27 Oct. 1815, RDCC Letters Sent.
[232] John Van Ness and Richard Lee to the Stone Cutters as the Capitol, 27 Oct. 1815, RDCC Letters Sent.
[233] John Van ness and Tench Ringgold to Benjamin Latrobe, 21 Dec. 1815, RDCC Letters Sent.
[234] Resolution of the Board of Commissioners, 8 March 1816, RDCC Letters Sent.

Latrobe refused to carry out the firings and suggested the commissioners do the deed themselves. The commissioners shot back that it was "inconsistent with that subordination necessary to be observed in all the departments at the Capitol to erect ourselves into a tribunal to judge between the Superintendant of any department and the Mechanics employed under him."[235] Lecturing a recalcitrant Latrobe on the chain of command did little good, and rather than put the building season at risk the Board agreed to most of the workers' demands, including raises and a standard ten-hour summer workday for all skilled craftsmen.[236]

This proved to be one of the commissioners' final acts. More than $400,000 of the loan money from the city's banks had been spent with little to show for it besides new foundations for the partial exterior shells at opposite ends of Pennsylvania Avenue.[237] Even more troubling were estimates that completing the buildings would cost at least another $500,000. The commissioners had adhered overly optimistic predictions long after it was apparent construction would take far longer. Latrobe's carefully cultivated a relationship with certain Senators reflected badly on the commissioners who Latrobe had come to regard as antagonists. Congress abolished the Board in May 1816 and replaced it with a single Commissioner of Public Buildings under the president's direction. Madison nominated John Van Ness to the position; the Senate voted against confirmation. Madison was prepared to nominate Richard Bland Lee, but was informed that the Senate would not confirm any of the old commissioners. In their place Madison nominated Samuel Lane, a colonel of U.S. Army engineers, who was confirmed

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235 Commissioners to Benjamin Latrobe, 16 March 1816, RDCC Letters Sent.
236 Commissioners to Thadrich Davis, 4 April 1816 and to Benjamin Latrobe and James Hoban, 4 April 1816, RDCC Letters Sent.
237 Richard Lee to Alexander Kerr, 19 March 1816, RDCC Letters Sent.

without objection.[238] Congress authorized a $100,000 appropriation for building construction and in the future annual Congressional appropriations calculated in response to semiannual reports from the Commissioner would finance all building expenses.[239]

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Little is known about Samuel Lane compared to the more dynamic personalities associated with the federal buildings, but his selection represents a definitive break with the old methods of Washington City development. A Marylander and veteran of 1812 who limped on a wounded leg, Lane had friends among America's engineer and architectural community but few ties to the Federal District and was disinclined to cater to the whims of Congressmen and local potentates beyond the practical demands of diplomatic good sense. In this approach he was aided by James Monroe, who made completing the public buildings a top priority of his first presidential term. City elites, interests, and financing were subordinated to professional management conducted with careful attention to costs and timetables.

This approach made the job achievable, not easy. Lane inherited a several headaches from the old Board. Chief among them were operations at the Loudon County marble quarry. This was made worse by the uncertainty surrounding Andrei's trip to Italy, about which Lane received no news for months after assuming superintendence of the project. Lane's other great challenge was Latrobe. Architectural historians have called Latrobe a "consummate professional," and unlike the Capitol's other famous architects, Latrobe was neither an amateur

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238 Senate Executive Journal, 38th Session, 1816, 52-53.
239 Statutes at Large, 14th Congress, 324-25.

nor a gentleman dilatant.[240] Despite this, he approached the job in a way that seemed haphazard and unserious.

Associates attributed Latrobe's behavior to money problems which made it difficult for Latrobe to turn down work on new projects no matter how distant and impractical his participation and despite his exclusive obligation to the Capitol. He also had a habit of indulging the design whimsy of lawmakers and Dolley Madison, regardless of the expense and feasibility of their suggestions. This habit was tactical as much as idiosyncratic; it kept him in good standing with those who had final authority over the course of the rebuilding project, giving him greater independence from commissioners than his contract allowed.[241] This was particularly the case with the changes to the Senate wing which put the Latrobe's superiors in the awkward position of telling Senators they could not have what Latrobe had promised was entirely feasible. Lane did not publicly assign any malign intent or question the desirability of the north wing alterations, but he never missed an opportunity to point out the extra time and expense required by late-stage changes to the original plan.[242]

Lane made regularizing and systematizing the logistical operations of the construction crews at the President's House and Capitol a top priority. He required Hoban and Latrobe submit weekly reports on the progress of the public works, including the number of workers employed at the buildings and their rate of pay. He also asked for monthly reports on the status of building materials usage and estimates of future supply needs. James Hoban regularly

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[240] Allen, *History of the United States Capitol*, 101-102.
[241] David Mattern and Holly Shulman, eds., The Selected Letters of Dolley Payne Madison (Charlottesville, Va.: U. of Virginia Press, 2003), 111-27
[242] Samuel Lane to Henry St. George Tucker, 12 May 1817, Records of the U.S. House of Representatives, Committee on the Public Buildings, National Archives.

submitted his reports on the status of operations at the President's House. Latrobe, on the other hand, tended to ignore the duty, left it to the Capitol's clerk of the works, or completed it only after persistent prodding from Lane. Lane also made it clear that he thought Latrobe's side projects were an unacceptable violation of his contract with the public.[243]

Lane's regimented administration eventually proved too much for Latrobe, who was frustrated to find his expertise and passionate advocacy disregarded in favor of time or cost considerations. These decisions were not Lane's alone, but Latrobe blamed Lane and his resentment boiled over during a meeting at the site of the President's House with Monroe looking on. Latrobe's wife, Mary Elizabeth, recorded the details of the confrontation, during which Latrobe seized Lane "by the collar, and exclaimed 'Were you not a cripple I would shake you to atoms, you poor contemptible wretch. Am I to be dictated to by you?'" When confronted by Monroe, Latrobe begged pardon but said "when I consider my birth, my family, my education, my talents, I am excusable for any outrage after the provocation I have received from that contemptible character."[244] Latrobe resigned immediately after the incident. Boston architect Charles Bulfinch was hired to replace him with the clear understanding that "the appointment is entirely at the disposal of the Commissioner of Public Buildings, and of that consequence the architect must responsible to him."[245] In Bulfinch, Lane got the architect and Capitol Superintendent he had long sought, one that turned in his regular reports as required and avoided long trips away on unrelated projects.

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[243] For example, see Samuel Lane to Benjamin Latrobe, 23 and 25 April 1817, RDCC Letters Sent.
[244] Allen, *History of the United States Capitol*, 123; from the diary of Mary Elizabeth Latrobe.
[245] Samuel Lane to Nehemiah Freeman, 3 Dec. 1817, in Ellen Susan Bulfinch, ed., *The Life and Letters of Charles Bulfinch* (Boston: Houghton Mifflin, 1896), 208-209.

When Lane took office, the status of operations at the Loudoun quarry was unclear. The Board had contracted a master marble mason to deliver columns at $1550 each, but "the difficulties & expenses attending an enterprize of this kind proved to be greater than had been calculated upon," and the "private resources of the contractor, were "expended before much progress had been made at the quarry." Lane conducted a "full investigation" with "persons of science and skill" and determined the work should move forward with "artists and hands on the public account." It was a decision he may have regretted. Lane confessed to Henry St. George Tucker, chair of the House of Representatives Committee on the Public Buildings, that he found the quarry "a source of perpetual anxiety and vexation." [246]

The complications associated with the marble production were rooted in the warm weather conditions needed to extract, cut, and ship the stone. Quarrying the stone was impossible during the winter because the upper Potomac was too cold for outdoor work. Precision stonecutting is also more difficult at sub-freezing temperatures because the stone is denser, making it harder to cut and more prone to fracture. Stonecutters at the Capitol had occupied and repaired an abandoned "Glass House" and constructed heated workshops to continue their operations during the winter; a similar workhouse was built at the Loudon quarry. Finally, shipping was only possible a few months of the year, in the spring and early summer, when snowmelt ensured the Potomac channel was deep enough to accommodate the deep bottoms of boats carrying several tons of stone. In order for the marble to arrive at the

[246] Samuel Lane to Henry St. George Tucker, 24 Jan. 1818, Records of the U.S. House of Representatives, Committee on the Public Buildings, National Archives.

Capitol in time for the building season, operations had to follow a tight schedule: summer quarrying, fall and winter cutting, spring shipping.

These tasks would have been difficult under the best circumstances. The "novelty" of quarrying large quantities of marble in America, the difficulty recruiting and retaining the necessary workers, and the quarry's location in "a country where no accommodation could be had for the workmen," made the job a herculean task.[247] Lane sent paid agents "traveling through the country in different directions to engage and send on hands," and contracted to procure clothing for hired slaves, to obtain "provisions, utensils for cooking, Bedding &c. &c.," and to erect "temporary Huts" to house the workers.[248]

Despite these efforts, the quarry commenced operations too late in 1816 to extract more than a small quantity of marble. Lane was hopeful a productive 1817 would ensure all the necessary stone was conveyed by spring 1818. Visits to the quarry in early 1817 augured badly for this expectation; the stonecutters did not share Lane's sense of urgency about the business, and very little finished stone was ready for shipment. Lane needed someone he trusted in charge of operations, and he reached out to Solomon Davis, "a gentleman of property and high standing in the county" who "from motives of friendship" agreed "to superintend the whole."[249] Davis wrangled the workers as best he could under the circumstances. The common laborers tended to disappear at harvest time. Joseph Hartmill, supervisor of the stonecutters, resented Davis's authority and the demotion it represented and became "Iratable & insulting"

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[247] Samuel Lane to Solomon Davis, 17 April 1817, RDCC Letters Sent.
[248] Samuel Lane to Henry St. George Tucker, 24 Jan. 1818, Records of the U.S. House of Representatives, Committee on the Public Buildings, National Archives.
[249] Samuel Lane to St. George Tucker, 24 Jan. 1818, ibid.

when given orders.[250] After several confrontations, Davis dismissed him in June. By the end of summer 1817 the worksite had become sufficiently productive to ensure all the necessary marble could be ready for the 1818 building season.

By May 1818 the last of the cutting had been completed and the marble was ready for shipment, just in time for annual on contract negotiations. On May 7th, Davis wrote to Lane to inform him that several stonecutters from Loudon had already left for Washington to seek work at the Capitol, leaving him with fewer hands even though much of the weighty task of loading the marble for shipment remained to be completed. The contract negotiations did not have a promising start. On May 6th, George Blagden met with "a few stone Cutters" who had been "despatched by the body" and told them Lane had budgeted $2.25 per day for an expected 12-hour summer workday. The representatives told Blagden the stonecutters expected $2.50 per day, the rate of pay they had received the previous summer. Blagden thought this not unreasonable and recommended granting the additional twenty-five cents a day, at least to the stone setters whose work was at a critical juncture. Most other work could wait "3 or 4 weeks" while the supervisors and artisans negotiated.[251] Lane, who was elevated to office amid controversy over costs and in the aftermath of a worker dispute, disagreed and refused to authorize additional pay. The stonecutters responded by refusing to work.

Lane acted quickly to outflank the stonecutters. Past commissioners had responded to worker demands with careful arguments, reminders about the generosity and constancy of their pay and the fair manner by which their contracts were negotiated before scolding them for their

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[250] Solomon Davis to Samuel Lane, 10 May 1817, RDCC Letters Received.
[251] George Blagden to Samuel Lane, 6 May 1818, RDCC Letters Received.

rude behavior and agreeing to raise their wages. Lane, in contrast, saw the stonecutters' "combination" as nothing less than a threat to "the important interest of the nation."[252] He immediately commissioned newspaper ads in Baltimore, Philadelphia, New York, and Boston inviting stonecutters to come to Washington where they would find employment at "liberal wages."[253] The stonecutters, apparently unconcerned about being replaced, refused to back down, and on May 21nd Lane declared that "such of them as declined going to work" at the Capitol the following day "should be dismissed not to be again employed on the public buildings." He hoped this would either "disburse the combination which continued hovering about the building and thereby make room for others to come in or that it would induce at least a part of the men to turn in to work." This tactic "completely failed, no one having turned either of the Cutters or setters."

Lane was concerned that advertising alone would not bring recruits sufficient to undercut the combination and sent George Blagden north to directly engage contracts with new stoneworkers. Lane's apprehension was well founded—Blagden discovered in Baltimore that the combination was "making every effort in their power to defeat the object" of his "Journey" by notifying fellow stonecutters about events in Washington. Lane urged "discretion and perseverance" and instructed Blagden to continue on to Philadelphia to assess the extent of the combination's influence and determine whether it would be "expedient" to proceed further eastward. John McComb, one of Lane's contacts in New York, was optimistic he could find a few stonecutters interested in the job. Grateful for the "friendly assistance in this emergency,"

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[252] Samuel Lane to George Blagden, 23 May 1818, RDCC Letters Sent.
[253] See for example Baltimore Patriot, 22 May 1818; National Advocate (NY), 18 May 1818; Alexandria Herald, 12 May 1818; American Minerva (Pa.), 22 May 1818.

Lane informed McComb that the wages of any stonecutters willing to make the trip "would commence immediately upon their leaving New York, or that their stage fare shall be paid, or both," if such measures were "indispensable."[254]

Blagden managed to recruit a few stonecutters before leaving Baltimore, and they arrived in Washington by stage on May 24th, where they were "beset by the squad" of stonecutters at the Capitol and subjected to "violent abuse and threats used to deter them from work." Despite this, Lane was confident the men would "go to work," but in case news of the confrontations had spread he instructed Bladgen to forewarn any potential recruits about the "arts or threats which may en sue upon their arrival," and "assure them of full protection."[255]

In fact it was the incidence of violence that proved the stoneworkers' undoing. The assaults provided grounds for legal action, and Lane submitted "an information" to Washington City Mayor Benjamin Orr who issued a summons requiring the offending and aggrieved parties to appear before the Mayor's Court. On May 26th, Orr ordered the picketing workers to stand down and allow the new stonecutters onto the worksite. The strikers split over whether to obey the ruling; a group returned to the Capitol the following day and resumed their efforts to deter the new stoneworkers. Lane recounted the ensuing excitement to Blagden: "On Tuesday last several of the refractory stone cutters were carried before the Mayor and 7 or 8 committed to Jail. The others threatened a rescue in consequence of which the Marshall procured an order for a detachment of the Marines to assist in arresting them and to guard the

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[254] Samuel Lane to John McComb, 25 May 1818, RDCC Letters Sent.
[255] Samuel Lane to George Blagden, 25 May 1818, RDCC Letters Sent.

Jail. These measures appeared to disconcert them entirely. I was the next morning given to understand that the combination was dissolved and each permitted to shift for himself."[256]

Clearly pleased at having put an end to the workers' pact to bargain collectively, Lane was apprehensive about reversing the "the order for their dismission" considering the obstinacy and cohesiveness of the stonecutters' combination. He was hopeful that with the combination "entirely dissipated" there would "now be no difficulty in procuring other hands," even though Blagden's "zeal and exertion" had not resulted in many new hires. Practicality probably undermined Lane's intentions. He allowed two stone setters to return to work immediately, ostensibly because their case had been "represented more favorable than that of the others," but the fact that progress at the Capitol was waiting on the setters' work was probably not immaterial to the decision. A speedy return to work depended on hiring whatever hands were available. On June 2nd, Lane wrote to McComb in New York and told him to stop recruiting since the "association of stone Cutters finding they could not carry their point have dissolved an in consequence we have as many hands as we can employ."[257]

Lane did not need to worry about future labor problems delaying or derailing reconstruction. The stonecutters strike was the last incident of worker unrest and the last time during reconstruction of the public buildings that workers used violent tactics to extract higher wages. One week after the strike ended a constituency that included no stonecutters elected Benjamin Orr to a second mayoral term. In 1819, the Common Councils of the cities of Washington and Alexandria petitioned Congress for funds for new penitentiary facilities, the

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[256] Samuel Lane to George Blagden, 30 May 1818 RDCC Letters Sent.
[257] Samuel Lane to John McComb, 2 June 1818, RDCC Letters Sent.

existing structures being "totally inadequate to the administration of justice."[258] Congress appropriated funds for both in 1820.[259] The President's House was completed in 1821 and the Monroes moved in that year. Capitol construction proceeded smoothly if not quickly under Charles Bulfinch. By American standards it was a massive edifice an even with Monroe's full support, Congressional appropriations of unprecedented size, and efficient administration the building was not fully completed until 1824.

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Although the Capitol and President's House were clearly the most functionally important and high profile of Washington's federal buildings, they were only part of the reconstruction project. The original plan of the city had envisioned three executive offices, one each for the departments of War, State, and Treasury. Only one of these, assigned to the War Department, was built in time for the federal government's move to Washington in 1800, and it burned down in 1801. In the ensuing years the federal government acquired personnel offices as needed, and by 1812 had purchased two large townhouses west of the executive mansion which were among the buildings razed by British forces. They needed to be replaced, but President Monroe was not interested in rebuilding them. As a former Secretary of War he had first-hand knowledge of the inadequate size and cramped conditions of the old offices, and thought the government's habit of augmenting its facilities with rented rooms "inappropriate to the effective business," and ordered Lane to assess the space requirements of the executive

[258] Petition of Alexandria Citizens for a Penitentiary, Records of the U.S. House of Representatives, Committee on the District of Columbia, Petitions and Memorials.
[259] Statutes at Large, 16 Congress, 54-55.

departments before contracting out construction of their offices.[260] Lane asked the cabinet secretaries to account for their current and future space requirements and the census revealed a federal government spread throughout the western half of the city.

Secretary John C. Calhoun indicated the War Department needed ten rooms in addition to those it currently occupied in the public buildings and those rented "of individuals, for which a high price is paid."[261] John Quincy Adams reported that State Department personnel were spread over thirteen rooms in four different buildings plus the Patent Office and a small rented residence house for official messengers. Even if the department were assigned the whole of one of the large buildings currently rented, it "would even not, after providing for the convenience of the Public Service, leave little if any room unoccupied." For future accommodations Adams could only point out that they "must necessarily become more urgent from year to year in proportion as the increasing population of the country multiplies its relations of intercourse both at home and with foreign nations."[262]

William Crawford's six-page assessment (with enclosures & diagrams) showed that the Treasury Department already nearly fully occupied two buildings plus "the one commonly called the Treasury building." If "accommodated in one range of buildings, it will be necessary to enlarge the Treasury Building so as to furnish forty three additional rooms."[263] Benjamin Crowninshield's one-page report was more succinct but no less impressive, explaining that the Navy Department "has long suffered great inconvenience from the crowded state of the Rooms,

[260] James Monroe to Samuel Lane, 19 Nov. 1817, RDCC Letters Received.
[261] John Calhoun to Albion Parris, 15 Dec. 1817, Records of the U.S. House of Representatives, Committee on the Public Buildings, National Archives.
[262] John Quincy Adams to Albion Parris, 27 Dec. 1817, ibid.
[263] William Crawford to Albion Parris, 17 Dec. 1817, ibid.

which are occupied in the public Buildings," plus the offices of the Navy Commissioners "badly accommodated in different Houses remote from the Navy Office." Navy required at least ten additional rooms, preferably in its own building "in order to a prompt execution of the important duties, at certain period, free from interruption."[264]

These reports were submitted to the House of Representatives Committee on the Public Buildings, now established as one of the original standing committees in the Congressional reorganization of 1818. The historic resistance to appropriating funds for public construction had faded, but efforts to use the power of the purse to limit executive power in favor of the legislative branch endured. The prospect of new cabinet offices reopened the old debate about whether the buildings should be placed around the President's House or the Capitol. Predictably, this reignited the competition to secure federal improvements that had raged between proprietors since before the founding of the city. George Washington's nephew Burwell Bassett, now chair of the Public Buildings Committee, was peppered with letters from the proprietors seeking to "prevent injustice" by clearing up any mistaken impressions that might exist regarding the original placement of the federal offices.[265]

The landowners' briefs, complete with copies of letters written in the 1790s by the old Board of Commissioners, original proprietors living and dead, and the first president, focused on when exactly George Washington had decided to situate the offices around the executive mansion. Based on the cabinet secretaries' reports, the original reasons for placing the offices near the President's House – "that the business of heads of Departments was principally with

[264] Benjamin Crowninshield to Albion Parris, 18 Dec. 1817, ibid.
[265] Thomas Law to Burwell Bassett, 25 March 1818, ibid.

the President" and the "universal complaint" that "while the Legislature was in session, they could do little or no business so much were they interrupted by individual members" – were clearly still salient.[266] But Capitol Hill proprietors Daniel Carroll and Thomas Law argued strongly – and convincingly – that the original plan of the city did not include executive offices, and that their placement was not settled on until 1793 at the earliest. Despite this, Thomas Law seemed to recognize there was something absurd about Congress consulting the proprietors about structuring the federal bureaucracy: "After considering all these testimonies & after 20 years experience the Congress will determine for the general good what will make or mar the City, without attending to the clamor of the Proprietors."[267]

In the end, the arguments did not much matter, since the amendment specifying the buildings' placement failed and Congress instead appropriated $200,000 and left the details of their construction to the president. Monroe opted to enlarge the existing office buildings and add two more so that the President's House was flanked on both sides by the executive departments. The buildings were completed in 1821, twenty-four years after the city first contracted out construction of a treasury building.

In his history of early Washington City, James Sterling Young observes that federal officials considered themselves "outsiders" in Washington, "mere sojourners at the seat power."[268] It is true that many politicians saw their residence in Washington as temporary, because for most of them it was. Perhaps more accurately, these politicians thought or hoped that Washington itself was temporary and that a change to their preferred seat of government –

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[266] William Thornton and Gustavus Scott to Alexander White, 18 April 1798, ibid.
[267] Thomas Law to Burwell Bassett, 24 March 1818, ibid.
[268] James Sterling Young, *The Washington Community, 1800 – 1828* (New York: Harcourt, Brace & World, 1966), 50.

in their own state or district, for example, or no permanent seat at all – was just around the corner. It is no wonder then that so many of them found the city "repellant," since they had never been attracted to the Potomac in the first place.[269] The problem for detractors was that there was no agreement on a place to move the federal seat, and in the absence of a plan to move District boosters made it easy to stay. Once situated on the Potomac, practical considerations made it difficult to go anywhere else. Lawmakers there under political duress concluded they should at least make their captivity comfortable. In accomplishing this task they had a city that was at its worst controllable and at its best enthusiastically cooperative. Many of these same officials soon realized that a tractable metropolis could be a useful tool in realizing their policy objectives not just within but also outside the confines of the federal seat, and they legislated accordingly.

[269] ibid.

Chapter 4

Three Years that Defined the Nation's Capital: Federal Banking Policy in 1811, 1816, and 1821

In 1808, the Directors of the Bank of the United States (BUS) petitioned the U.S. Congress to renew the institution's charter, which was set to expire in 1811. This request thrust controversy over banking policy back to the center of American politics after a period of relative quiet. The 1791 debate over the BUS was notoriously contentious, but the bank had operated mostly unmolested by political opponents during its twenty-year statutory term of existence. On two occasions the bank's actions had attracted criticism. The first was in the aftermath of the 1792 securities market crash, which was induced by the BUS to deflate a bubble in bond prices. The second was during the run up to the election of 1800, when Republican newspaper editors portrayed the BUS as an affront to liberty foisted on Americans by the Federalists and accused its directors of meddling in the election. Despite these controversies, critics of the BUS did not make a sustained effort to revoke its charter or curtail its activities. During its twenty-year life, the BUS paid more than $1 million in dividends and stock-sale profits to the federal government, and Congress authorized five branch banks (called Offices of Discount and Deposit) in several cities including Washington City in 1801. The branches enabled the BUS to function as a central bank, though its directors rarely acted to affected the supply of money in the United States.[270]

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[270] On controversy of the early actions of the BUS see David J. Cowen "The First Bank of the United States and the Securities Market Crash of 1792," *Journal of Economic History* 60, no. 4 (December 2000): 1041-1060. Richard Sylla, Robert E. Wright, and David Cowen, "Alexander Hamilton, Central Banker: Crisis Management during the U.S. Financial Panic of 1792," *Business History Review* 83 (Spring 2009), 61-86. For

Despite the apparent success of the BUS, the expiration of its charter inaugurated a period of uncertainty and experimentation in federal banking policy. This era of indecision was spurred more by suspicion and political disagreement than by thoughtful or methodological analysis and planning. Even after decades of successful operations in North America, many people argued that banks operated as a sort of "philosopher's stone" with "the power of converting paper into gold."[271] This skepticism did not dampen Americans' persistently high demand for currency, a circumstance caused by the continent's specie scarcity and the difficulties of transportation over its vast distances and rough terrain.[272] These challenges increased as vast new territory came under U.S. jurisdiction and European warfare disrupted or despoiled overseas commerce. These practical considerations tended to dampen opposition to banks and banking, but tension between prevailing opinion and market demand made bank policy a contentious issue for both state and federal governments. This was particularly true at moments of sharp political division when moneymen associated with a particular political party worked to influence public affairs.

Bound up with these political and economic considerations was disagreement over whether the U.S. needed a national bank and where the offices of that bank should be located. The U.S. Constitution gave the federal government the power to coin money and regulate its

a more general overview of the Bank's activities seen Cowen, *The Origins and Economic Impact of the First Bank of the United States* (New York: Garland, 2000).

[271] Alexandria (Va.) *Daily Advertiser*, 12 Jan. 1808.

[272] Exactly how widely specie circulated in the American economy in the early decades of the nineteenth century is a matter of some debate. See Ronald W. Michener and Robert E. Wright, "State 'Currencies' and the Transition to the U.S. Dollar: Clarifying Some Confusions," *American Economic Review* vol. 95, no. 3 (Jun., 2005), 682-703, and a response by Farley W. Grubb, "State 'Currencies' and the Transition to the U.S. Dollar: Reply: Including a New View from Canada," *American Economic Review* vol. 95, no. 4 (Sept., 2005), 1341-1348.

value, but a system of exchange based exclusively on specie was inadequate and inefficient. New state banks were founded every year during the first two decades of government under the U.S. Constitution, and these institutions were designed to facilitate commercial exchange by issuing currency and credit notes. Many were flourishing and many Americans thought that together these institutions were fully capable of meeting American demand for capital and credit. Many skeptics of central banking argued the BUS provided no benefits besides facilitating federal borrowing, spending, and revenue collection, all services they argued could be performed by the Treasury Department through other mechanisms.

Disagreement over the location of BUS headquarters – its "mother bank" – underpinned controversy over the institution. The First Bank of the United States was founded in 1791 in Philadelphia and its headquarters remained there when the federal government moved its seat to Washington City in 1801. Americans expected their seat of government to realize significant financial benefits from the presence of federal headquarters. Some of these benefits were obvious and direct – government patronage through offices, manufacturing and labor contracts, and military expenditures, as well as construction of internal improvements – but they also anticipated indirect benefits. Federal revenue collections and spending activities would make the seat of government a site of capital accumulation where money was readily available. The close association between government finance and administration combined with American demands for capital and credit made the growth of wealthy and influential banking establishments at the seat of government all but inevitable. As North Carolina's Hugh Williamson pointed out during debate over assumption, people "at the seat of government those most conversant in public transactions would reap all the benefit, while the poorer and less informed part of the community would derive no advantage at all."[273]

The Compromise of 1790 seemed to codify these expectations into law. Although the agreement is often described as a political "horse trade" that joined two unrelated issues – assumption of the state debts and location of the federal seat – in the minds of many Americans the two subjects were closely related. Assuming the debts of the states meant the federal government would become the continent's largest debtor and of necessity its largest money collector and issuer of credit notes. These financial instruments would circulate through the economy and back to the federal seat for redemption, where bankers would profit from safekeeping the federal revenues and discounting federal bonds. By assuming the mostly northern and eastern Revolution-era debts and situating the seat of government in a southerly location, the compromise promised to widely distribute assumption's financial benefits. When Congress ensured that the costs of these measures would be broadly shared by implementing a funding system that placed revenue-level tariffs on a wide range of goods rather than protective tariffs targeted to benefit manufactures.[274]

The creation of the BUS in 1791 had upset these expectations. The largest bank in North America by capitalization, by law it served as a depositor of U.S. revenues and as the federal government's lender of first resort. This combination of endowments meant that many of the financial benefits people expected to accrue to the Potomac seat would instead be channeled through Philadelphia, where the BUS offices were located. Potomac boosters feared the bank's

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[273] Helen E. Veit et al, eds., *Documentary History of the First Federal Congress of the United States of America* vol. 13, (Baltimore: Johns Hopkins University Press, 1995), 1149.
[274] Douglas A. Irwin, "The Aftermath of Hamilton's Report on Manufactures," *Journal of Economic History* 64, no. 3 (Sept. 2004), 800-21, especially 811-13 and 820-21.

influence might prevent the federal government's removal to Washington City. Given these expectations, Potomac and southern leaders considered the bank's twenty-year charter a circumvention of the Residence Act, an abrogation of the spirit if not the letter of the difficult compromise struck in 1790. Members of Congress from the north and east disclaimed any such intention, but Maryland's Michael Jenifer Stone thought they protested too much to be credible. He argued "if they believe that this scheme tends to break the faith of the union pledged to the Potowmack, it is no wonder they suppose we oppose it upon that ground."[275]

The Bank's presence proved a boon to Philadelphia's financiers, but the city realized fewer benefits than originally expected and despite the apprehension following the incorporation of the BUS, Congress convened in Washington City in 1801 as planned. This intensified the competition between Potomac and Delaware River boosters frustrated by the division of federal largesse. This ongoing rivalry caused politicians from Philadelphia and the Potomac region to view the expiration of the BUS charter as an opportunity to rectify the mistakes of 1790 and 1791 in favor of their constituencies.

As a result, the request to renew the BUS charter reopened debate over the location of the seat of government and spurred the first Congressional debate over banks in the District of Columbia. The 1791 act incorporating the BUS stated that "no other bank shall be established by any future law of the United States, during the continuance of the corporation hereby

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[275] William Charles DiGiacomantonio et al, eds., *Documentary History of the First Federal Congress of the United States of America* vol. 14 (Baltimore: Johns Hopkins University Press, 1995), 423-24. On the machinations surrounding the approval of the national bank and the situation of the seat of government see Kenneth R. Bowling, "The Bank Bill, the Capital City and President Washington," *Capitol Studies* vol. 1, no. 1 (Spring 1972), 59-72.

created; for which the faith of the United States is hereby pledged."[276] Coincidentally, the charter of the Bank of Alexandria, one of the District's two incorporated banks, was scheduled to expire concurrent with the BUS charter in 1811. This confluence of events and circumstances raised difficult questions about banking policy that Congress had not previously addressed. Could or should Congress incorporate banks in addition to a national bank? What role should District banks play in American public and commercial finance? Was the seat of government the proper place for the national bank? Did the U.S. need a national bank at all considering the large number and lending capacity of state banks chartered since 1791? Could or should a more effective or restrained institution be created to replace the BUS?

Lawmakers' worked to settle these questions in ways that satisfied the interests of their constituents. Washington City and the District of Columbia had grown rapidly after the federal government established its residence at the end of 1800. Politicians from rival cities worried a large and prosperous financial sector would obviate the need for a national bank, supplant government borrowing from banks in other cities, or influence lawmakers in ways that would twist commercial and fiscal policy toward Potomac and southern interests. District banks could provide the resources necessary to turn the District into a true commercial center. From the perspective of competitors in Philadelphia and New York, the worst outcome would be establishing a national bank at the seat of government under the control of District financiers. In addition to providing the District with significant commercial advantages, such developments would likely foreclose any possibility of the federal seat removing northward.

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[276] Richard Peters, ed., *Statutes at Large of the United States* vol. 1 (Boston: Little & Brown, 1845), 196. Hereafter cited as *U.S. Statutes*.

In 1808, members of Congress from Pennsylvania brought legislation to the floor of the House of Representatives to move the federal seat, and subsequently the 10th Congress spent many hours considering renewal of the BUS charter. Both of these propositions failed. This outcome was a qualified victory for champions of the Potomac seat of government. District banks became depositors of federal funds, greatly increasing their capital basis and capacity to lend. The closure of the BUS eliminated the federal government's lender of first resort, and banks in the District stepped in to fill the financing gap, lending between three and seven million dollars to the treasury between 1812 and 1816.[277] These developments reinforced concerns among Potomac detractors and skeptics of central authority about the influence of District financiers. They regarded the prospect of a national bank headquartered in the District of Columbia as an anathema, and a new BUS was unlikely to emerge so long as its situation in the District remained a possibility.

As District banking activities became more important to the Potomac economy and the operations of the federal government, Congress assumed increasingly greater responsibility for and interest in the banks and their conduct. Congressmen hostile to Potomac interests initially concluded their best option was to keep District banks on a tight leash by granting short charters of incorporation. The prospect of an expiring charter with no guarantee of renewal made it more difficult for banks to conduct business with non-government customers. This increased the uncertainty surrounding the status of the District's banks and Washington's ability to retain the federal seat. But Potomac detractors soon recognized that this course of

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[277] Congress authorized borrowing up to $11 million in 1812, $23.5 million in 1813, $28 million in 1814, $18.42 million in 1815. U.S. Statutes, vol. 3, 695, 798-99; vol. 4, 111-12, 144-45, 227-28.

action fostered a mutual dependency that could have pernicious effects. The banks understood that keeping their Congressional customers satisfied was particularly important, a practice that could influence federal policy now that the U.S. government looked to local banks for financial support. This close relationship between Congress and the District banks developed at the same time that capitalists and the courts raised new questions about the terms of corporate organization, the public purpose of banks and banking, and federal government oversight of these institutions.

Two events during the second decade of the nineteenth century – the War of 1812 and the Panic of 1819 – would have a durable impact on Americans' understanding of the role of the federal government and the federal center in finance and monetary policy. The incorporation of the Second Bank of the United States has attracted little attention from historians because the reasons underpinning its creation seem obvious. According to this understanding, lawmakers concluded in the aftermath of the War of 1812 that the war effort had suffered because the federal government could not draw on the services of a lender of first resort. In his comprehensive history of banking in the early United States, Bray Hammond observes that officials were distressed that the government was "subsisting on the drainings of uncharted banks in the District," suggesting the difficulty of securing funds had undermined U.S. security.[278] Easier government access to money was a significant reason for chartering a new national bank, but not the main reason. In 1815, Congress approved a charter for a new national bank, but it was vetoed by James Madison. This action seemed to put the issue to rest,

[278] Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton: Princeton University Press, 1957), 230.

but in the months after the conclusion of the peace many state banks in America's commercial cities remained closed. Without a lender of last resort for the economy, uncertainty risked turning the disasters of the war's darkest days into a depression that would undermine the peace just won. It was this concern that motivated debate over a new BUS.

Federal officials settled upon a banking policy designed to distance Congress from questions about the continent's money supply. In the aftermath of the capture of Washington in 1814 and the actual or impending failure of banks throughout the U.S. in the early 1820s, unifying the republic's governmental and financial powers in a single location seemed certain to weaken not strengthen the integrity of the union. At the same time, reliance on state-chartered, primarily local banks was obviously inadequate to the demands of continental exchange. Lawmakers opted instead for a financial system where the requirements of local commerce determined the number of banks and the supply of currency in a city or region. The Second Bank of the United States was charged with assisting and regulating the activities of all state banks rather than channeling the flow capital to a financial center. In the process, rules governing banks became more uniform and the process of granting charters of incorporation became more regularized.

This resolution was not easily reached. In order to avoid unwelcome accusations of self-interest and localism, city boosters and politicians advocated their policy preferences by focusing on the merits of banking activities and the mechanics of bank operations. Their positions in this debate, charged as they were by longstanding prejudices for and against banks, fit into three broad categories. Some were completely opposed to the formation of banks and banking associations and opposed any government sanction for those institutions. Others favored full support of banking activities by both state governments and the federal government through a national bank. A third group supported banks under certain circumstances or with particular qualifications, including leaving bank regulation to state governments, restricting the issue of bank notes or creating a national bank with a narrower mandate than the first BUS. These differing and often undefined positions allowed politicians to formulate policies that could entice the greatest possible number of lawmakers to support their preferred policy outcome. The resulting system defined American monetary policy until the 1830s.

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The debate over federal bank policy that occurred between 1808 and 1811 focused on whether the BUS should be reincorporated, where its headquarters should be located, and what a renewed BUS charter meant for the banks of the District. Before any of these questions were addressed, however, members of Pennsylvania's delegation reopened debate in the House of Representatives over whether Washington City was a suitable location for federal headquarters, and suggested a removal to Philadelphia. Although the Pennsylvania representatives avoided openly connecting their concern over the federal seat to the BUS, other Congressmen asked pointedly and repeatedly about the timing of the House consideration of the issue.

North Carolina's Nathaniel Macon had no doubt about the Pennsylvanians' reasons for raising the issue. Macon spoke at length in opposition to the removal legislation, arguing not so much for Washington as against moving in general and against Philadelphia in particular. "The charter of the bank of the U. States expires in 1811," Macon reminded his colleagues. "In 1809 it is proposed that we shall be in Philadelphia; we shall then have 100 years before us to talk and be talked to about this bank." "We may talk about our independence," Macon chided, "but every man in Congress when at Philadelphia knew that city had more than its proportionate weight in the representation of the Union." This heightened the significance of the venue for the BUS debate. In Philadelphia, "every advantage" had been taken of Congressional proceedings. "Let us be as far from them as possible," because, he pleaded, the "cities have always had too much influence in this body; go among them and it will be increased an hundred fold." After some debate on the proposal to remove to Philadelphia, the legislation was tabled.[279]

The Pennsylvanians' concerns about debating the BUS charter in Washington City were not without foundation. The request to renew the charter faced uncertain prospects in Congress, and some members thought "the presumption against its renewal strong."[280] Even more disconcerting to Pennsylvanians was the possibility that a newly chartered national bank would be headquartered in the District where, many southerners thought, "it undoubtedly ought to be." District partisans argued that locating its offices away from the federal seat rather than "under the immediate Inspection and control of the government" seemed illogical.[281] Legislators hostile to the Potomac seat hoped to avoid encouraging the expansion of the District's financial sector. The existence of prosperous District banks increased the likelihood that Congress would conclude the services of the BUS were no longer required. This created a strange alliance between one group of legislators skeptical about banks and another that favored extending the current regime.

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[279] *National Intelligencer* (Washington, D.C.), 10 Feb. 1808.
[280] *Annals of Congress* vol. 22 (Washington: Gales & Seaton, 1834-), 588. Hereafter cited as *Annals*.
[281] Alexandria *Daily Gazette, Commercial & Political* (Va.), 8 Jan. 1811.

Despite the often-aired popular disdain for banks and their activities, many lawmakers argued or at least grudgingly accepted that banks were necessary to provide an adequate supply of capital for commercial exchange, particularly considering the speed of American economic growth. Many new banks formed to accommodate this demand, but perhaps paradoxically most Americans continued to find it difficult to borrow or otherwise acquire the currency needed for commercial exchange. One reason for this is because specie remained rare in North America. Perhaps more significantly, information asymmetries and the mechanics of financial transactions made these activities so risky that banks tended to serve an exclusive clientele, primarily the bank's largest shareholders and their close associates. This insider-oriented financial environment was popular with "men of business," especially the merchants and manufacturers who were major stockholders or directors of local banks, but it tended to perpetuate long-standing resentments against financiers among the population excluded from their services.

Considering the range of views Americans held about banks, creating a banking policy for the District would have been difficult even without national political considerations influencing the issue. Unique circumstances made accomplishing this goal even more elusive. Since the District was created from the territory of Maryland and Virginia and the laws of each state as written in 1800 remained in force unless altered by Congress, the District's two incorporated banks were governed under the legal provisions and traditions of their charter states.[282]

The Bank of Alexandria was authorized in 1792 by the Virginia legislature and the Bank of Columbia, located in Georgetown, was chartered by the Maryland legislature in 1793. The provisions of the two banks' charters differed in significant ways. The Bank of Alexandria's charter was more typical of U.S. banking institutions. Its original ten-year charter authorized a $250,000 capital subscription, which was increased to $500,000 in 1795. The bank was granted legal standing to sue and be sued for the recovery of debts.[283]

The Bank of Columbia's 1793 charter created a much more powerful bank. It was capitalized at $1 million and the duration of its charter was unlimited. There was no limit on the amount of money it could lend beyond what its directors determined was the bounds of good business practice. The bank was endowed with quasi-judicial collection authority, including the power to issue warrants and command collection through the offices of the court clerk. These powers were much more extensive than simply having standing to sue, and the bank could not be sued by its creditors to recover debts. The bank's founders imagined it as a competitor institution of sorts to the Bank of the United States, which they thought of as a creature of Philadelphia with a national reach. The Bank of Columbia enjoyed a closer relationship with the federal government than any bank besides the BUS. This relationship began with the Bank

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[282] John Joseph Walsh, *Early Banks in the District of Columbia*, 1792-1818 (Washington, D.C.: Catholic University of America Press, 1940), 20-22; David Maurice Cole, *The Development of Banking in the District of Columbia* (New York: William-Fredrick, 1959), 36-40.

[283] A Glenn Crothers, "Banks and Economic Development in Post-Revolutionary Northern Virginia, 1790-1812," Business History Review vol. 73, no. 1 (Spring, 1999), 1-39. Charles Elder Howe, *Early Banks and Banking in the District of Columbia* (Washington, D.C.: Bankers Association of the District of Columbia, 1905), 15-17.

of Columbia's generous loans financing construction of Washington City's public buildings, assistance that was required by the bank's charter, and extended into the nineteenth century. The bank was officially designated the U.S. government's fiscal agent in Washington City and was authorized to open a branch in the building occupied by the Treasury Department.[284]

The most consequential difference between the Bank of Alexandria and the Bank of Columbia was the duration of their charters. Congress was expected to exercise its jurisdiction over the District after the federal government moved to Washington City in 1800. This put the Bank of Alexandria in a difficult position because its charter was scheduled to expire in 1802 and federal law prohibited new bank charters during the life of the BUS. Considering lawmakers' reluctance to encourage or even address the development of the federal seat, it seemed unlikely Congress would act in a timely manner or at all to extend the charter. This concern prompted a late-breaking effort in the Virginia legislature to renew the Bank of Alexandria's charter. A 10-year charter extension became law on January 21, 1801, after the federal government had moved to Washington in December 1800 but before passage in February of the Organic Act of 1801 that officially extended federal jurisdiction over the District. The awkward timing became consequential in 1807 when a delinquent borrower from the Bank of Alexandria claimed the bank lacked standing to sue him because Virginia's jurisdiction over the bank ended when the District became the seat of government in 1800. In 1808, the U.S. Supreme Court settled the issue in favor of the bank, reasoning that the Organic Act had validated all state laws in effect in the District prior to its passage.[285]

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[284] Walsh, *Early Banks*, 67-68, 77-78.
[285] Walsh, *Early Banks*, 41-42; Cole, *Development of Banking* 103-5.

Despite the initial apprehension about Congressional attitudes toward District affairs, Congress did approve charters of incorporation for several public works enterprises during its first decade of residence.[286] Nevertheless, because a federal bank charter required revisiting the national bank debate, District financiers avoided raising the issue with Congress. The Bank of the Potomac of Alexandria was formed under articles of association in 1804 with a $500,000 stock issue. Administering a bank without a charter involved risks, as the Bank of Alexandria's experience indicated. Despite this, Bank of Potomac's stock was quickly subscribed. In 1806, the Virginia legislature passed a law prohibiting the circulation of the notes of private (unincorporated) banks. This seemed potentially devastating for the Bank of Potomac since its main business was lending to support commerce along the Potomac corridor, and the bank's allies in Richmond tried unsuccessfully to block the measure. It turned out they need not have worried as the law was too difficult to enforce and the bank's notes continued to circulate widely.

In addition to the Banks of Columbia, Alexandria, and Potomac, a BUS branch, the Office of Discount and Deposit, capitalized at $200,000, was authorized for the District in 1801 and operated out of Washington City. These four institutions provided the bulk of the circulating capital necessary to transact business in the District during its first years as the seat of government. In 1809, with the prospect of the expiration of the BUS charter on the horizon, two more banks formed under articles of association, the Bank of Washington in Washington City and Union Bank of Georgetown. The Bank of Washington's initial $250,000 stock issue was

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[286] Some of these building projects were characterized by controversy. See John Lauritz Larson, "A Bridge, a Dam, a River: Liberty and Innovation in the Early Republic," *Journal of the Early Republic* vol. 7, no. 4 (Winter, 1987), 351-75.

subscribed within a month and the bank commenced operations almost immediately. Subscriptions to Union Bank's initial $300,000 stock issue proceeded more slowly and it did not begin lending before petitioning Congress for a charter. The notes of both banks included language informing the possessor that the banks were not legally chartered institutions.

Bank directors' sought charters for their institutions, and the significance of these reasons shifted over time. Initially, the facts and circumstances under which the bank charters were issued and operated implied a monopoly or grant of exclusive jurisdiction. The Bank of Alexandria and the Bank of Columbia operated on opposite sides of the Potomac and each served as the primary lender for their geographic area of residence. The BUS charter law's prohibition against Congress authorizing other banks obliquely codified this supposed grant of authority, and the unofficial division of territoriality was reinforced in 1804 when the Bank of Columbia was authorized to open its Washington City branch. But none of the laws in effect in the District expressly prohibited the formation of banking associations.

The success of institutions like the Bank of the Potomac and the Bank of Washington suggests a charter was not necessary to profitably provide financial service in the District, but securing charters of incorporation was nevertheless a priority for new banking associations. The banks' petitions to Congress stressed that customers preferred to do business with an incorporated bank. So long as some banks enjoyed government sanction, those without charters operated at a disadvantage. Operating under a charter suggested the governance of the bank was sound and that its finances were well managed, but few agreed on the precise powers, governance, and oversight of chartered banks.[287]

Legislators' were primarily concerned with provisions related to the governance of the bank and the financial responsibilities of its directors and stockholders, in particular the financial liability provisions. The unincorporated banks' articles of association had "by express stipulation" exempted members from "personal liability" for the debts of the bank, a provision "not to be found, to the same extent in any co-partnership whatever." Lawmakers thought this presumptuous, since these provisions applied "in all cases, and under any circumstance of mismanagement." Whether these provisions had legal force without the blessing of the legislature was an unsettled question, even after the Bank of Alexandria case. The provisions of contract law governed the relationship between the bank and its stockholders, borrowers, and creditors. The terms of these relations varied widely since Congress declined to legislate on the legal rights of unincorporated associations.[288]

The regulation the public was most concerned with was the prohibition against suspension of specie redemption for the notes of the bank. Both the charters of the District's banks and the articles of association of the unincorporated banks prohibited suspension of specie payments but the holders of bank notes had little to reassure them that a bank would act in accordance with this promise. They could initiate a suit to secure payment from the bank, but this process could be expensive and time consuming.

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[287] On the free banking period of American history, see Howard Bodenhorn, *State Banking in Early America: A New Economic History* (New York: Oxford University Press, 2003); Naomi Lamoreaux, *Insider Lending: Banks, Personal Connections and Economic Development in Industrial New England* (New York: Cambridge University Press, 1996); Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton: Princeton University Press, 1957).
[288] *Annals* vol. 20, 1371.

In early 1809, the District banks transmitted petitions to Congress asking for charters of incorporation, but it soon became clear that Congress would not act on these requests until the future of the BUS was resolved. Many of the arguments for and against a national bank also applied to District banks, but Potomac advocates believed the U.S. government's exclusive jurisdiction over the federal seat provided a legal authority to charter banks that Philadelphia advocates for the BUS could not claim. Although both James Madison and Thomas Jefferson disclaimed their previous arguments against the constitutionality of a national bank, objections on constitutional grounds remained a useful foil against the BUS. But the limited role prescribed by the Constitution for the federal government in monetary policy also seemed to argue against federally-chartered District banks. The U.S. government could mint coins, but did not specifically authorize paper currency. BUS supporters pointed out that "if Congress charter the Banks in the district of Columbia, will not the paper issued by those Banks be as much a paper currency as that issued by the Bank of the United States?"[289] They threatened to insert provisions into the District banks' charters prohibiting them from issuing currency notes and limiting the banks to credit notes, thus significantly curtailing the banks' commercial viability.

Exactly how much capital District banks made available for commerce is difficult to know because few of the banks' early financial records survive. Skeptics argued that the size of the District's economy did not warrant $3 million in bank capital and that the formation of new banks was motivated by avarice. Slow subscriptions to the Union Bank's stock seemed to support this view and was cited by those opposed chartering the banks. They presumed that

[289] Alexandria *Daily Gazette, Commercial & Political* (Va.), 9 Jan. 1811

demands for more banks under those circumstances were driven by financially and ethically unsound intentions.

One popular argument against extending the BUS charter was that the institution had become unnecessary because state-chartered banks were flourishing and could provide whatever financial services the republic required. Significantly, lawmakers were mostly concerned about a superabundance of bank capital in the economy. The national bank's role as the economy's lender of last resort was not tested during the life of the first BUS, and few participants in the 1810-11 charter debate raised this issue when arguing in favor of retaining the bank. Both advocates and detractors were more concerned with what Pennsylvania Congressman William Crawford called "excessive discounts and emissions of paper" by the state banks. Those, like Crawford, who supported renewing the BUS charter argued the institution provided a "check" without which this irresponsible behavior "would inevitably take place in the state banks."[290] If this were true, detractors wondered why so much more capital than necessary seemed to be circulating through the economy. Rather than "restrain the multiplication of banks and the ruinous emission of paper," Nathaniel Macon saw banks springing up "like mushrooms in a genial soil" under the "fostering protection" of the bank.[291] If the BUS were either unwilling or unable to carry out this responsibility, that seemed good reason to deny rather than reissue a charter.

Supporters of the existing banking system – predominantly New Englanders and New Yorkers – argued that rather than colluding in ways that damaged the economy the interaction

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[290] Alexandria *Daily Gazette*, 4 May 1811.
[291] *Annals,* vol. 22, 587.

of state and national bank activities produced greater benefits for the public than these institutions could have produced on their own. The organizational structure of state banks was designed to create institutions that were well and independently governed. This encouraged investors to contribute capital to these enterprises by assuring individuals some influence in the administrative decision-making. At the same time, it was illogical to think this combination of risk and responsibility would eliminate any possibility of irresponsibility or malfeasance. The important thing was that state banks extended credit that ameliorated the effects of scarce capital while a national bank acted as a crucial backstop widespread incompetence or wrongdoing. Rather than deny that the bank possessed the power to act perniciously upon the American political and economic system. They pointed out that none of these incidences had occurred during the twenty years the BUS had been in operation. William Crawford inquired rhetorically why the U.S. should “abandon a well tried system, faulty perhaps in the detail, but sound in its fundamental principles?”[292]

The District banks’ petitions for incorporation were referred to the Committee on the District of Columbia, chaired by John Love, a Virginia representative from the Potomac region whose law office was located in Alexandria. More than any other member of Congress, Love considered charters for the national bank and the District banks related issues. The committee’s report sought to justify why Congress should recognize banks that were successful without the benefit of public sanction. It commended the “laudable” intentions of the bankers and the provisions of their articles of association, but lamented that they did not “possess in themselves any security to the public, against an abuse of the credit the community is in the habit of

[292] Alexandria (Va.) *Daily Gazette*, 4 May 1811.

bestowing on bank notes." The committee did not intend their observations to cast aspersions on the character of the bank directors. Indeed, it was clear "from the high standing in society, which the framers and managers of those institutions enjoy, and from the candor and fairness exhibited by them," that only gentlemen had thus far engaged in banking activity. The recent swift formation of new banks demonstrated, however, that this presumption of credibility could not endure going forward. It was possible more people, many of whom had never engaged in banking activities before, would try to form new banking associations. Considering that banks had "so important an effect upon the interests of society," special laws were required so "the safety and interests of the public would be best protected."[293]

The Committee on the District submitted several recommendations to Congress on the administration of the banks. These included using the Bank of Alexandria's charter as a template for future charters, requiring the banks report the state of their finances to Congress "from time to time," and requiring that the U.S. President or Congress be allowed to appoint some number of each bank's directors. More controversially, the Committee made several recommendations for changes to the banks' governance in the event that Congress allowed the charter of the BUS to expire without action. The committee members acknowledged that by engaging in such considerations their deliberations were going "beyond the limits assigned to them in a report on the petitions referred to them." But nevertheless they felt it important to note that a national banking establishment in the District, where the U.S. enjoyed exclusive jurisdiction "in all cases," would marginalize constitutional objections to the bank. In addition, "convenience, and also the exigencies of Government," made it clear that the seat of

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[293] *Annals,* vol. 21, 1371.

government was the best place to establish a "new National Bank." If Congress opted for that course of action, it seemed wise to incorporate the existing banks and their capital with the existing bank, or to constitute an entirely new national bank from the District banks "by consolidating their several capitals into an integral institution."[294]

During initial debate over District banking in 1810, it seemed clear that sufficient support existed to approve the banks charters of give them a bigger role in private and public finance. John Love sought to structure the argument over the national bank so that lawmakers debated not whether any national bank was constitutional but rather how to create a national bank that met the test of constitutionality. This implied that the BUS as it existed was not constitutional. When the question of the constitutionality of a national bank was again raised during House debate over the BUS's charter, Love suggested the House consider the question along with the question of chartering the District's banks, since that legislation "expressly" dealt with the issue.

Love's brash suggestion overreached. However obvious the connection between District and national banking policies may have seemed to Potomac and southern lawmakers, it was not a union financiers in other states wanted to contemplate. The House did not take action on the committee's report, and it languished. In April 1810, the Senate agreed to indefinitely postpone the District bank bills, and it seemed possible Congress would not take the issue up again. An anonymous citizen-observer of Senate proceedings wrote in disbelief to the editor of the Alexandria Gazette that it was "difficult in many cases to account for the feelings which appear to prevail with the majority of members, in relation to our interests." He lamented that in "most

[294] *Annals*, vol. 21, 1372.

cases dependence excites affection in the human mind towards the dependent object, but unfortunately in ours the Congress of the United States manifest nothing of that parental regard which we expected, but on the contrary acts towards us with the indifference and cruelty of a wayward step-mother."[295]

By putting the future of the District's banks in limbo, supporters of the BUS hoped to push aside the notion that Congress had any realistic option for crafting an effective bank policy besides reauthorizing the BUS. They proposed a larger bank, capitalized at $20 million, and stressed the many advantages to commerce and government administration provided by the BUS. Vermont Republican James Fisk wondered why his colleagues would "discard a faithful, honest, responsible agent, whose integrity and fidelity you have known for twenty years."[296]

The prospect of continuing the BUS but denying charters to the District's banks was too much for John Love, who suspected a conspiracy against the Potomac, perhaps orchestrated by the nefarious foreign investors. He warned "this United States Bank, as it is falsely called, might introduce its branches into the district, and establish such a capital here as to destroy the banks already here, and carry its foreign influence into the very heart of our country." Under the circumstances it seemed "the design of gentlemen to destroy the growing prosperity" of the seat of government. He urged his colleagues to preserve the Union by "fostering the interests of the district."[297] He proposed instead a "National Bank" with its main bank chartered by Congress in Washington City and branch banks, or perhaps the already existing public state

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[295] Alexandria (Va.) *Gazette*, 13 April 1810.
[296] *Annals*, vol. 22, 606-7.
[297] *Annals*, vol. 21, 1803-4.

banks, authorized by the individual state legislatures to conduct business on behalf of the main bank.

Supporters of the extending the BUS charter cautioned against putting federal resources "at the disposal of twenty or thirty strangers" – the directors of the state banks – and suggested the plan was a return to the days of the "Old Confederation" where Congress had to depend on requisitions from the states in order to function.[298] They recognized the seductive appeal of Love's National Bank plan – all the benefits of a central bank but without the messy questions about constitutionality and an option for states to hold firm against or back out of bank decisions. James Fisk exhorted his colleagues to understand that such an institution was a fantasy that could never come to pass. A vote against renewing the BUS charter in hopes of replacing it with a National Bank would subject the country to "the spasms and throes of death and birth, at the same instant, in order to preserve by this bold practice its Constitution." This proposal was but "a refinement in State quackery, which must prove fatal to the patient." Creating a National Bank was attended with "serious, if not insurmountable difficulties." Clear heads should recognize that "if we cannot continue the present bank upon any terms, no other ought ever be authorized by Congress."[299] Even if such thing as a National Bank were possible, lawmakers should not wish to subject the health of their state commerce and finances to the whims of a single state or alliance of states. "This will produce jealousies and collisions of

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[298] *Annals*, vol. 21, 1808.
[299] *Annals*, vol. 22, 616.

interests between banks in the same State, and thus form cabals against the State and General Governments," Fisk warned.[300]

The perceptive pleas of BUS supporters were not enough to muster support to extend the BUS charter, and the legislation failed by a single vote in each chamber of Congress. In the aftermath of the national bank debate, and with just a few weeks remaining in the final session of the Eleventh Congress, the Senate took up and passed legislation granting charters for all of the District banks and sent the bills to the House for consideration. Rather than resume consideration of the bill reported earlier by the Committee on District, the House sent the Senate bills to the committee for a new report. Love had been removed from the committee and replaced as chairman by South Carolina's Langdon Cheves, a Republican and skeptic of banks and banking. Cheves dismissed claims that the District required more "active capital," and argued that in any case additional banks were not the way to secure that capital. "If there be a want of real capital," the Committee report said, then "an excess of this artificial capital" provided by banks was not the answer. Cheves's committee produced a terse report advising the House grant just three of the banks' petitions, with each corporation limited to $500,000 stock issues: the Bank of the Potomac's, "because it had been some years in successful operation," the Bank of Washington "because there is no other like institution in the City of Washington," and the Bank of Alexandria, which apparently required no explanation.[301]

The dueling committee reports set up a floor fight over the bank charters. The Bank of Alexandria's charter legislation had included a provision increasing its authorized

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[300] *Annals*, vol. 22, 613.
[301] *Annals*, vol. 22, 901.

capitalization to $1 million. Virginia's John Randolph argued that the provisions of the banks' charters should be consistent and requested the bills be sent back to committee. This late-session referral threatened to doom the bills, and John Love and the Potomac delegation tried to quash the motion but only managed to prevent the Bank of Alexandria legislation from being sent back to the committee.

The committee ignored the bills. Despite this inaction and Cheves's earlier recommendations, all the charter bills were brought before the full House for consideration during the last week of the legislative session. The House approved the charters for the Banks of Alexandria and Washington by wide margins. The vote to incorporate the Bank of the Potomac was closer, 57-42. When it came time to vote on the bill to incorporate the Union Bank of Georgetown, members opposed to the legislation moved to adjourn the House, a tactic that failed by one vote. Final approval was secured in a 51-41 vote. On the same day the House approved the banks' charters, the House and Senate received petitions from Philadelphia pleading that Congress renew the BUS charter before final adjournment of the 11th Congress. [302]

The new bank charters prohibited unincorporated banks from operating in the District. According to the law, no association could engage in banking activities in the District without government sanction. This seemed like an entirely reasonable provision when it was enacted. A decade of evidence suggested that the District's existing banks could meet the Potomac region's demands for capital and credit. Just three banks had formed since the federal government assumed jurisdiction in 1800, and except for the Bank of the Potomac these banks were new. Stockholders in the existing banks supported the prohibition. Under this legal

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[302] *Annals*, vol. 22, 958-60.

regime they could enjoy the benefits of their charters without worrying about competition from new institutions. This assessment proved misguided. With the expiration of the First BUS's charter, government deposits in District banks increased. In addition, government expenditures rose considerably after Congress declared war in 1812. The District's economy benefited directly from this spending and this growth spurred the formation of new banks. These organizations worked around the law's prohibition against banking without a charter by writing their intention to secure a charter into the articles of association and immediately petitioning Congress for legal recognition.[303]

The outcome of the first Congressional debates over the nature of finance at the federal center set some important precedents. According to the terms of their charters, the District's banks remained financial institutions with primarily local and regional functions. Despite this, Congressional inaction on the BUS charter suggested that a national bank in Philadelphia could not coexist with federally-chartered banks in the District of Columbia. Even though the new law prohibited banking activities without a federal charter, banking associations that had formed without the express sanction of the sovereign legislature were allowed to continue despite limited oversight by Congress. A corollary to this precedent was that the banks should be allowed to form even though the available information might indicate their existence was not necessary. Langdon Cheves had argued against the Union Bank's incorporation not by condemning its original unincorporated formation, but by arguing the slow collection of stock subscriptions and data on the District's economy suggested the services of another bank were

[303] Report on Sundry uncharted banking Associations in the District, Committee on the District of Columbia, 25 Mar. 1816, Records of the United States House of Representatives, 13th Congress, National Archives, Washington, D.C.

economically unnecessary. All this implied that the ability of a bank to conduct business, or at least sell stock, rather than the judgment of a skeptical Congress should determine whether its existence was justified. Also significantly, the close relationship between the Bank of Columbia and the federal government would continue for the foreseeable future.

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The events of the War of 1812 and its aftermath once again made banking policy the central focus of federal governance. It was generally agreed that the First Bank of the United States had aided the general government in the financial operations of federal administration, but in 1811 this assistance seemed a luxury that the republic could function without. Few espoused this view in the aftermath of the war, but the value of the other tasks performed by a national bank remained topics of contentious debate. Congress began considering a new national bank before the war concluded, but it was only after the war that lawmakers were able to confront the full range of problems posed by existing financial system.

Most histories portray the incorporation of the Second Bank of the United States as a consensus solution to the federal government's inept performance during the war. In actuality, the 13th and 14th Congress debated the issue no fewer than seven times, James Madison vetoed the first version of the bank charter passed by Congress, and the charter ultimately signed by the president passed Congress by just nine votes in the House and a single vote in the Senate. In short, the war did not sweep aside the controversies many associated with banks and banking. Most of the government's borrowing needs were met by lending from state banks and individuals, and few officials blamed the failures of the war on funding obstacles. In his veto message regarding the 1815 bank bill, Madison cited the government's "fiscal embarrassments" as the main reason to charter a new national bank.[304] His concern referred to the Treasury borrowing from unincorporated banks operating in violation of federal law, and to the government's difficulties collecting and disbursing funds when the state banks holding federal deposits suspended specie payments. To the extent that securing and disbursing funds had been a problem, most lawmakers agreed any national bank should facilitate the process of federal revenue collections and payments, there was little agreement on other issues related to banks and banking.

The main concern behind the effort to incorporate a new BUS grew out of the negative consequences that government borrowing and the war itself had had on the financial system and the obstacles this posed to both private and public economic activity. During the war the state banks had curbed lending and suspended specie payments and in many cases had not resumed either of these activities after peace was brokered. Despite this, few agreed about whether the bank should act as a lender of first resort for the government, as a lender of last resort for the economy, and about what role the bank should take in regulating the activities of state banks and the country's money supply. Madison's veto of the 1815 bank bill argued that the bank would accomplish none of these things. The law did not expressly require the bank to act as the government's lender. It also required that the bank redeem its notes in specie on demand and specified that it should by U.S. Treasury notes. Madison thought these provisions would "fetter" the circulation of money and drive up interest rates. Madison thought these provisions ran directly counter to the purpose of a national bank.[305]

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[304] *U.S. Statutes*, vol. 3, 891.
[305] Ibid.

Many blamed the suspension on the banks' irresponsible lending habits or a tendency to issue too many currency notes relative to their specie reserves. South Carolina's John C. Calhoun, a chief proponent of a new national bank, argued that the banks' financial problems were "owing to the prodigality of their engagements without means to fulfill them; to their issuing more paper than they could possibly redeem with specie." In their irresponsibility they had become "mere paper machines," and in the process taken from the federal government its responsibility to regulate the currency. In order to set things right, Congress needed to reclaim this "usurped power."[306] Calhoun and others even pointed to the banks' assumption of "new business, uncongenial with the nature of such institutions," namely their habit of making "long loans to the Government."[307]

Much of the debate about the bank focused on whether or not banks had acted responsibly before, during, and after the war crisis and whether or not a new national bank could or would remedy the republic's financial difficulties. The District's banks and their conduct often featured in this debate as proxies for state banks generally, and lawmakers pointed to the District banks to contradict Calhoun. The banks' problems, observed Maryland's Samuel Smith, were rooted in the constraints imposed by distance. As a result much of the government's borrowing had been "confined to the country between the Hudson and the Potomac." This limited sources of financing for a continental and transatlantic war effort to a small, albeit wealthy, area of the country. More importantly, however, there was little evidence that these banks had acted irresponsibly.

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[306] *Annals*, vol. 29, 1062.
[307] *Annals*, vol. 29, 1063.

Generally accepted business practices indicated that banks could extend loans up to 150% of the amount of their capital basis, and issue currency notes up to twice the amount of specie on hand. The District's banks, which had "gone a little further than most of the banks of the United States in their issues" in order to provide "long loans to the Government" had in aggregate remained below the 150% lending threshold. Moreover, it seemed unreasonable for anyone, especially Congress, to accuse the banks of poor conduct in lending to the government. Pennsylvania's John Sergeant pointed out that the loans "were necessary for the purpose of defence, and, in some instances, the banks were compelled into them by the force of public sentiment." Without the banks lending and facilitating loans from individuals, "the exertions of the country would have been at a stand for want of money."[308]

Sergeant urged his colleagues to face the real reason the banks had suspended specie payments. The "true state of the matter" was that "immediately upon the capture of Washington, a general alarm was spread throughout the country," and "a run upon the banks for specie was the consequence." "Prior to the month of August 1814, it was not supposed that the banks had not been conducted with prudence, according to the usual rules of banking," observed Sergeant. Up until that time, the banks had continued to pay specie and must be considered "as having conducted their business upon fair principles."[309] According to this understanding of the facts, the bank's purpose was not primarily to restrain the lending and paper emissions by the banks, but to support state banks' activities by providing a source funds when unforeseen events might dramatically increase the strain on the banks' balance sheets.

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[308] *Annals*, vol. 29, 1077.
[309] *Annals*, vol. 29, 1076—77.

The problem was not "excessive issue of bank paper" but "a want of confidence." [310]

Whatever the mission assigned to the central bank, few agreed on whether it would be able to fulfill those duties. The problem for authorities then was the impracticality of regulating banking activities, particularly the creation and supply of debt and currency instruments. That this had to be done was "justified by the lessons of a dear-bought experience" – the suspension of lending and specie payments and the consequent commercial constriction. Clearly neither national nor state legislators could devote their time to robust oversight of bank activities, and practicality made criminal oversight difficult or impossible. Alternatively, legislators could – and did – enact criminal penalties for "persons engaged in banking and of the offices" of irresponsible or fraudulent unchartered lending associations. But enforcing these provisions was also problematic because bank notes circulated widely and states did not have the authority or resources to prosecute bank officers in other states. The effectiveness of Virginia's ban on the circulation of notes of unchartered banks was indicative of the strategy's success. With a "large proportion of society becoming implicated in the offence" it was "impossible to enforce the provisions of the law." This presented a particular problem in the District where government officials of all kinds used notes from unchartered banks to transact business and the federal government itself had borrowed from the newly formed Bank of the Metropolis.[311]

In contrast to the 1811 debate, the location of the new BUS headquarters was not aggressively contested. The draft BUS charter produced in January 1816 by the Committee on a National Currency, chaired by Calhoun, specified that the bank's headquarters should be

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[310] *Annals*, vol. 29, 1076-77, 1081.

[311] Report of the Committee on the District, Records of the United States House of Representatives, 25 Mar. 1816, National Archives, Washington, D.C.

located in Philadelphia. Maryland's Robert Wright offered an amendment in the House to locate the BUS headquarters in Washington to put at ease the "Constitutional scruples" of some members, and because he thought the District's people "deserved highly of the Government."[312] Wright withdrew the amendment at Calhoun's request. When the issue came up again, a chorus of members suggested they might offer their own constituencies – Baltimore, New York, Connecticut – as the seat of the bank. An amendment was offered in favor of New York, and it carried by six votes, but the next day members of the House moved to reconsider and legislators seemed to decide anywhere but New York was a good choice. A motion in favor of Philadelphia passed without a vote.[313]

No one in Congress made an effort to tie approval and operation of the national bank to the District's banks. The proposed charter specified that Congress could incorporate banks already operating in the District, with and without charters, up to $6 million aggregate capitalization.[314] This differed slightly from the charter passed in 1815, which stated that Congress could charter banks in the District but offered no particular guidance on the terms under which the banks should operate.[315]

Several new banking associations had formed in the District since 1811 and all had petitioned Congress for recognition. Congress had granted 8-year charters to the Farmer's Bank of Alexandria and the Mechanic's Bank of Alexandria in 1813, but war had intervened to prevent Congress from considering petitions for incorporation from several newer banking associations: the Bank of the Metropolis in Washington, the Farmer's and Mechanics Bank of

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[312] *Annals*, vol. 29, 1120.
[313] *Annals*, vol. 29, 1205-8.
[314] *Annals*, vol. 29, 495-96, 505.
[315] *U.S. Statutes*, vol. 3, 891.

Georgetown, the Real Estate Bank of Alexandria, and the Union Bank of Alexandria. In addition, the banks incorporated in 1811 were dissatisfied with their short charters and petitioned for an extension to at least twenty years, since the five years remaining on their charter was such a "short period" that it placed "the Institutions in a state of Instability and Insecurity particularly unfavorable to their affairs."[316]

Lawmakers questioned whether Congress should reward the unincorporated banks with charters considering they had been operating outside the law. The Committee on the District considered the banks petitions and assured their colleagues they shared the "deep and general concern to which the unauthorized establishment of banking associations throughout the Country has given rise." The committee's members agreed on the "incalculable evils which inevitably flow from suffering any association of individuals…to pour into circulation of the Country a flood of bank paper at their discretion," but the important question was whether going forward the banks' services were required.[317]

Members of Congress reluctant to extend charters to the city's banks once again questioned whether the District's economy actually suffered from a scarcity of a medium of exchange. They pointed to unfilled stock subscriptions among the existing banking associations. Other evidence indicated that there was demand for additional liquidity in the District economy. Committee members referred to the "notorious" problem banks faced discounting "all the paper offered them by men of unquestioned solvency, of the highest

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[316] Petition of the Bank of the Potomac of Alexandria, 19 Jan. 1816, Records of the U.S. House of Representatives, 13th Congress, National Archives, Washington, D.C.

[317] Report on Sundry uncharted banking Associations in the District, Committee on the District of Columbia, 25 Mar. 1816, Records of the United States House of Representatives, 13th Congress, National Archives, Washington, D.C.

respectability and engaged in the most laudable and lucrative employments."[318] Presumably these men included members of Congress.

The new banks argued their existence was justified because the District required capital to be "assured of selling on equal terms with laboring markets." Despite the "comparative cheapness of the Potomac" as a transportation conduit, District's merchants were at a disadvantage relative to their competitors in other cities because of inadequate financing. For many years now merchants had been forced to rely on "foreign" capital to bring to market the city's existing trade. If Congress extended its "fostering protection" to all the District's banks it would boost the region's economy by increasing the amount of goods using the Potomac corridor and ensure the financial benefits of that lending remained in the District.[319] District entrepreneurs would also need the resources to compete in the burgeoning domestic manufactures market. Only local lenders would provide the resources for these enterprises, many "already in a state of forwardness" around Alexandria and the upper Potomac with "others in immediate contemplation."[320] In addition, current demand seemed certain to rise. Increasing quantities of goods from "the extensive and rich Country on the shores of the Potomac and even of the Shenandoah" were daily shipped to the District, making the trade and prosperity of those hinterlands "dependant on the Command of Capital" at the seat of government.

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[318] Ibid.

[319] Petition of the Farmers and Mechanics Bank of Georgetown, 17 Feb. 1814, Records of the U.S. House of Representatives, 13th Congress, National Archives, Washington, D.C.

[320] Petition of the Union Bank of Alexandria, undated, U.S. House Records, 13th Congress, National Archives, Washington, D.C.

Other more practical arguments in favor of District bank were often cited. The most popular (or at least generally uncontested) argument in favor of more banking capital was to finance the construction of improvements in Washington City, particularly "for the comfortable accommodation of members of the Government."[321] Some proposed mandating improvement financing – chiefly roads, bridges, and canals – as a condition of granting the bank charters, but District advocates in Congress opposed these provisions in order to minimize the financial burdens on the banks the potential controversy that accompanied building projects at the seat of government.

Congressional consideration focused on incorporating banks that had operated without a charter. Having expressly prohibited the operation of unincorporated banks in 1811, they were more reluctant to grant amnesty this time, but the banks still had advocates. The report of the Committee on the District, chaired by Virginia's Henry St. George Tucker, pointed out that "suppressing" the unchartered banks seemed likely to produce "evils" of a "great and manifest" nature. A Congressional order to disband would induce the banks to "a heavy and ruinous curtail of their discounts," a move that might remove from circulation as much as $2 million. "Bankruptcy and ruin" would result as individuals pulled on the chains of indebtedness binding them together, a crisis which would affect not just the District's economy but the countryside directly connected with it. The committee also recommended that as a condition of receiving charters the banks contribute to the construction of six roads between the

[321] Petition of the president and directors of the Patriotic Bank of Washington, 14 Mar. 1816, , Records of the U.S. House of Representatives, 13th Congress, National Archives, Washington, D.C.

District and nearby towns, a provision ultimately removed from the legislation.[322] Despite the litany of evils that supposedly attended granting charters essentially sanctioning that behavior, the committee concluded that inflation was the only real danger these banks might pose. "The only evil it is supposed that can be plausibly assigned as likely to flow from the chartering of the unincorporated banks, is that which may be supposed to arise from a surcharged circulation of their paper."[323]

Tucker's report generally affirmed the need for a robust District banking system, but in light of the events of the war many lawmakers had concluded that the republic's, or at least the federal government's, financial needs extended beyond the capacity of lenders at the seat of government. As a result, the committee's report went unaddressed throughout 1816 as Congress debated creating a new national bank. When members revived the question of incorporating the new District banks in February 1817, critics of banking and centralized governance still smarting from defeat of their efforts to quash the second BUS engaged the debate determined to derail additional charters. When Virginia's Joseph Lewis, now chair of the Committee on the District, raised consideration of the incorporation bills, John Randolph moved that the House of Representatives indefinitely postpone considering the legislation or remove from consideration entirely. In explanation he "entered into a wide discussion of the expediency of authorizing additional banks," in the process "condemning the policy pursued by the Government on this subject already," and questioning whether the republic had any need for companies issuing paper "without probably of a dollar of capital." The reporter for the

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[322] Report of the Committee on the District of Columbia on the Subject of Banks, 25 Mar. 1816, Records of the U.S. House of Representatives, National Archives, Washington, D.C.
[323] *Annals* vol. 29, 1265.

National Intelligencer observed that Randolph "spoke nearly an hour, in his usual diffuse and desultory manner."[324]

Lewis responded that Randolph's objections were mistaken, particularly in the case of the District's banks, because they had higher proportion of specie reserves than any bank south of Philadelphia. Federal revenue collections meant more specie flowed into Washington from appropriations and into the customs house in Alexandria than other jurisdictions with similar size populations. This was not likely to change dramatically even with BUS headquarters located in Philadelphia. In addition, according to law the District had "less bank capital, in proportion to its population, than any city in the neighboring States." Even if Randolph's general concerns had merit, these facts made the District a particularly bad example of the abuses and bad practices he decried. In any case, the House was not prepared to act on the bank charters before the Senate, and Randolph's bid to postpone the issue succeeded in a close vote.[325]

The Senate acted soon after. The Senate Committee on the District had aggregated the various bank charters into a single bill written to respond to the requests of all the associations that had petitioned Congress. They did not recommend the Senate act on the petitions of banks with charters still in effect, and the Senate took up the legislation addressing the status of the unincorporated banks in February 1817. New York's Rufus King tried unsuccessfully to kill this uniform charter legislation by postponing its consideration, but it passed the Senate by a wide margin on February 28th, and the House took up the bill and passed it quickly just before final

[324] *National Intelligencer*, Washington, D.C., 4 Feb. 1817.
[325] *Annals*, vol. 30, 846-47.

adjournment of the 14th Congress. The five-year charters of the newly incorporated were set to expire in March 1822, one year after the other District banks.[326] President Madison signed the bill without comment on his last day in office.

According to the system of governance created by the omnibus charter legislation, Congress assumed a more direct role in oversight of the new banks than it had previously. This reflected concerns that the banks had engaged in irresponsible practices during the war years and that the seemingly constant increase in the number of banking associations required more constant monitoring than that produced by simple proximity. The law required the banks submit annual – "or oftener if required" – statements of the banks' assets and obligations to the Treasury Secretary, who would then advise Congress on the solvency of the bank and the quality of its management. It also specified that in the event a bank suspended specie payment it was required to pay interest of ten percent to individuals whose notes came due for redemption during the suspension. The law also made clear that these were the terms that must be met in order to incorporate a bank in the District.[327]

Congress's decision to charter the unincorporated banks in the District, coming in the aftermath of approval of the charter of the Second Bank of the United States, was seen at the time as a shift in the rationale behind institutional finance and the relationship between a central bank and the republic's lesser banks. Madison's veto of the 1815 bank bill argued that alleviating the practical problems posed by limited specie was the first duty of the central bank. His approval of the charter of the Second Bank suggested that the new BUS was intended to

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[326] *Annals*, vol. 30, 191, 1059.
[327] *U.S. Statutes*, vol. 3, 383-87.

carry out that duty, even though its charter was not that different from the legislation he had vetoed in 1815. Economist Edward Green has suggested that the new BUS was perceived as a debtors' bank rather than a creditors' bank, an understanding that explains why the legislation approving the bank was supported by a majority of Congress members from the south and west and opposed by a majority of members from the north and east.[328] That the bank was perceived this way was a result of the effects the war and its aftermath and the understanding of the purpose of a central bank that grew out of that wartime experience.

The lessons of the war were clear and influential. No single city could fully supply sufficient credit and capital to meet the financial needs of an effective government. Even if one city could provide these services, it did not follow that the U.S. government should limit itself to the resources of one city or region, especially Washington City and the District of Columbia. The reasons for this were political, financial, and practical. Few outside the Potomac region relished the influence District financiers might exert over the operations of the federal government. Moreover, it was evident that District could not meet all the government's financial needs and that by forgoing a national bank, government officials were limiting the resources that could be mobilized on behalf of public and private needs. Perhaps the most obvious lesson learned from the war was that however American finance was administered, the District of Columbia was not the most secure place for its location.

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[328] Edward J. Green, "Economic Perspective on the Political History of the Second Bank of the United States," *Federal Reserve Bank of Chicago Economic Perspectives* 27 (1), 2003, 59-67.

In 1819, as the expiration of the District's bank charters approached, directors once again applied early for an extension of their incorporation. Economic circumstances had changed since 1816, as had the business of finance both at the seat of government and around the country. Eleven chartered banks now operated in the District, and at least four other associated entities were engaged in lending activities. With the exception of the Bank of Columbia, the charters of all of these banks were scheduled to expire in 1821 and 1822. The bankers were frustrated by the competition and their problems were compounded by the tight money policies of the BUS and the economic slowdown in the aftermath of the panic. They asked Congress to intervene "to reduce, as far as practicable, the number of Banks in this District, without diminishing the aggregate amount of capitals, as authorized by law." In order to determine the best way to accomplish this, Congress asked the directors of the chartered banks to form a committee and submit to Congress a set of recommendations. The committee outlined a consolidation plan that effectively reversed the policy of liberal grants of charters to petitioning associations.

Some members of Congress continued to raise questions about the benefits or necessity of banks, particularly banks in the District, but most lawmakers were concerned with the mechanics of creating a functioning banking system. One area of immediate concern was that several District "corporations" had engaged in financial activities that members of Congress thought problematic. Specifically, the governments of the District's three towns had issued notes – municipal bonds – without Congressional authorization, and several of the District's banks had issued notes valued at five dollars or less. The municipal notes troubled lawmakers because it was plausible that the federal government could be held liable, legally or politically, for these obligations in the event the towns suspended payment or defaulted on the notes. The banks' issues of small-dollar notes raise the hackles of both those typically opposed to and supportive of the District and its banks, the former because they thought it a tactic that concealed inadequate specie reserves and the later because the practice drew customers away from Maryland and Virginia banks, both states that prohibited small dollar notes.

The consolidation plan outlined by the convention of the banks was used as a model for the legislation produced by House Committee on the District. It authorized two banks in each of the District's cities with $6 million in total authorized capitalization. Congressmen seeking to curtail District banking opposed this plan and offered three alternatives in its place. One plan, championed by in the House of Representatives by Georgia's Thomas Cobb was to simply extend the charters of the existing banks for five or ten years and let economic conditions sort out which would fail and which would remain in business. A second option, suggested in the Senate by Rufus King, was a more extreme consolidation than that suggested by the bankers. King suggested one bank in each town, with total authorized stock subscriptions limited to $3 million because, he argued, "the proposed capital was too large, and would be, as it is now, to a great extent, unreal."[329] A third possibility was to allow all the banks' charters to expire and replace the financial services they provided by augmenting the capital of the Branch BUS in Washington City to whatever amount Congress deemed sufficient for the conduct of commerce in the District.

Reflexive opposition to banks and their influence persisted, and were probably made worse by prevailing economic conditions. The consolidation plan seemed to attract the most

[329] *Annals*, vol. 36, 645.

vociferous criticism along these lines and produced some support for any plan that allowed the banks' charters to expire. Kentucky's Thomas Metcalf described the consolidation as a prime example of the tendency of banks to replicate the "monarchies, aristocracies, and hierarchies" found abroad. These institutions were "established for the special and exclusive benefit and advantage of those who govern, or their minions and privileged orders," and banking introduced an "unappropriate and unhallowed kind of machinery into this free Government." These corporations were bound to commit "bold and daring encroachments" on the rights of citizens. The unauthorized bond issues by the District's cities were a prime example of the "corruption" produced by proximity to power.[330]

In the view of these critics, increasing the exclusivity of financial power seemed precisely the wrong thing to do, particularly at the seat of government. The economic benefits were at best illusory and at worst sinister. The "paper aristocracy" created by the banks "produce nothing intrinsically valuable to the community," and by "silent and secret manoevering and contrivance" could "transfer the substance, the earnings, and property of those who are productive, to the sole use, benefit, and behoof of themselves." Even if they acted without guile, incompetence could "destroy all stability in the price or value of property."[331] Metcalf's concluded his diatribe by asking that the House indefinitely postpone consideration of the consolidation legislation, which was "decided in the negative without a division." Lambasting banks and bankers remained politically popular but had become practically untenable.

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[330] *Annals*, vol. 36, 1815.
[331] *Annals*, vol. 36, 1817-18.

Clearly opinions had changed since 1811. Opponents of consolidation recognized that they could not count on historic suspicions about banks and banking to derail the bill. Their best hope was to scale back the measure by arguing its provisions were an unnecessary overreach or that its intent could be accomplished other ways. Commentary mocking the District featured prominently in these arguments. According to Thomas Cobb, there was so little commerce in Washington the sight of "a hogshead of tobacco, or a load of flour, in this city, would gratify any man's eyes." What commerce existed amounted to "a mere huckstering business." Connecticut's Samuel Foot thought the city's "premature ruins and half-finished houses" prime evidence of excessive, not inadequate, bank capital. Cobb believed this bill would worsen those circumstances, and claimed to have received "a variety of anonymous letters on the subject" from District residents who agreed with his assessment. Better to leave the city in the hands of the BUS Branch – at least BUS paper traded "everywhere at par."[332]

District advocates pushed aside these characterizations with facts and data. Instead of hucksters' shops and "the ruins of Carthage," Connecticut Federalist Jonathan Moseley saw a city with exports exceeding those of his home state, a fact that his New Haven colleague Samuel Foot probably thought more troubling than the city's unfinished houses. Maryland's Henry Warfield claimed shock at the sound of colleagues ridiculing the District and felt compelled to attest to "the extensive business" and "the meritorious character" of its population. He recalled that 10,000 barrels of flour arrived in the city every day during the winter season, and that District bank notes "circulated everywhere freely, as far as his knowledge extended."[333] And if

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[332] *Annals*, vol. 36, 1824-26.
[333] *Annals*, vol. 36, 1825.

there was really so much opposition to consolidation plan, he wondered why "those who had been so importunate against it in their letters" felt compelled to withhold their names.

The bigger problem, as far as the District's advocates were concerned, was subjecting the economy of the seat of government to powers unconnected to the community, particularly the BUS. Maryland's Joseph Kent wondered how the House could "make the people of this District dependent on a foreign institution, with the directors of whom they have no acquaintance, of whom they have no knowledge, and have not a common interest with them in the property and prosperity of the place?" As the representative from Bladensburg and as chair of the Committee on the District, Kent was "unwilling to make my immediate constituents, if they wanted bank capital, dependent on a distant corporation for it, who could grant or withhold it at pleasure."[334] Kentucky's Benjamin Hardin thought the "political considerations" of this dependence the most important concern. So long as the BUS, a "great engine of power—a great mammoth, which at some day or other, would trample under foot the liberties of the country," remained in existence, the services of the banks of the District "would form a sort of countercurrent to the overwhelming influence of the Bank of the United States."[335]

Advocates of the consolidation plan condemned all these alternatives. Replacing the financial services provided by the banks by augmenting the capital of the BUS Branch was especially wrongheaded, both economically and politically. Virginia's Charles Fenton Mercer pointed out the practical problems. If the banks were "put down," it was certain to immediately distress the region's economy by suddenly withdrawing large amounts of capital

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[334] *Annals*, vol. 36, 1829.
[335] *Annals*, vol. 36, 1827.

and credit. Replacing millions of dollars through the BUS Branch would be difficult, or at least controversial; Congress would likely have to revisit the BUS charter, increase the bank's authorized capital stock, and direct it to the Washington branch. There would be long-term negative effects as well – the disruption or elimination of the existing banks' particular knowledge of the area's commerce and industry, of the creditworthiness of specific borrowers, and of the longstanding and profitable relationships between creditors and debtors. By recognizing that the "distinction of interests in the District" required "separate institutions" to meet their capital needs, Mercer articulated the important role that insider knowledge played in facilitating financial transactions in an economy with imperfect information.[336]

When the House commenced floor debate on the issue of the District's banks, South Carolina's Eldred Simkins proffered an amendment that included the one bank, $1 million-capital-per-city plan as a sort of compromise between the consolidation plan's advocates and dissenters, arguing that recent events demonstrated the District's economy suffered from "excessive issues of bank paper." District advocates thought this argument was absurd considering the city's banks had operated profitably for more than twenty years. Their recent "embarrassments" were not sufficient grounds to limit the amount of capital available in the District for the next twenty years. But other members found the compromise appealing. Simkins moved that the House recommit the consolidation measure to committee with instructions to report a bill that conformed to his plan; the motion passed 73-72. The Potomac delegation, surprised and alarmed, sprang into action. Maryland's Henry Warfield immediately requested a second count of the vote and made an "animated appeal" against the motion.

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[336] *Annals*, vol. 36, 1812.

While Warfield spoke, Charles Fenton Mercer worked to convince members to change their vote and then spoke with "his usual zeal" against recommitting the bill. A second vote was taken and this time the motion failed 66-89. The House then passed the consolidation plan on a voice vote.[337]

The Senate was reluctant to fully address the legislation, and the Committee on the District advised a short extension of the existing charters so the next Congress could take up the issue. The committee's report noted that the banks' directors were somewhat divided on the merits of the plan, with Georgetown's bankers more generally opposed. Rufus King thought three banks and $3 million capital plenty for the District, but supported a short extension in favor of the next Congress figuring out "a permanent system" for the District's banks. In a prelude of sorts to establishing a permanent banking regime, Senators approved a provision revoking the Bank of Columbia's permanent charter and extending it only so long as the charters granted the other banks. They also inserted a provision declaring Congress would take no action on the charter legislation until a majority of the stockholders of the District's banks registered their approval of the plan with the Treasury Secretary's Office. An amendment offered to strike limited liability from the banks' charters died on a voice vote.[338]

District stockholders did not get the chance to avail themselves of this rare if limited move in favor of representative enfranchisement. After the Senate passed its short extension of the bank charters in April 1820, the issue languished as Congress became consumed with the Missouri Crisis. When legislators took up District banking again in February 1821, the specter

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[337] *Annals*, vol. 36, 1831-32.
[338] *Annals*, vol. 36, 645-47.

of final adjournment cast its shadow over the debate. In the intervening months, both the national and regional economies had started to recover from the liquidity crisis caused by the panic. As a result, bankers had stopped clamoring for the "immediate relief" intended by the consolidation plan. Moreover, in the aftermath of the crisis of the union, members of Congress were no longer interested in subjecting the District's financial sector to the administration of the BUS directors through its District branch. Instead, Congress quickly approved a more limited consolidation plan that chartered three banks in each city for fifteen years with a total $6 million authorized capital. By scheduling the banks' charters to run concurrently with the term of the BUS, Congress set the stage for the next debate to define federal banking policy.

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Robust population and economic growth had characterized the District in the years before 1812 and the period after the war ended and the panic began. This expansion resumed in the 1820s, led by Washington City, a circumstance that chafed leaders of the District's other cities, particularly Alexandria. District bankers resumed their quest become the republic's financial center, a goal that became increasingly less achievable as the decade advanced. Initially unfazed by the $6 million limit on bank capital, District financiers began to chafe against the limitation as the economy improved and the District continued to grow. When the same $6 million limit was included in the legislation drafted to renew the Second Bank's charter in 1832, Potomac representatives railed against the unfairness of the provision.[339]

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[339] *Journal of the Senate of the United States of America*, First Session of the 22nd Congress (Washington, D.C.: Duff Green, 1832), 440-42.

The great challenge to Washington's pretentions at financial supremacy did not come from the city's old adversary on the Delaware or even from Baltimore, the young upstart. The immediate success of New York's Erie Canal proved a much bigger problem. The canal's commerce prompted a reevaluation of the District's access to western markets, but this reflection came too late, particularly for the city's commercial bankers. In the years between the Erie's opening in 1825 and the groundbreaking ceremony for the Chesapeake & Ohio Canal in 1828, New York's commercial boom had facilitated a huge expansion in lending that built upon the city's already significant advantage in the business of finance. By the time the BUS charter expired in 1836, New York's place as the center of American finance was firmly established.

District financiers' failure to achieve continental supremacy did not mean that federal banking policy was a failure. Few outside the District preferred such a grandiose role for the seat of government. Some District banks did benefit when the BUS charter expired in 1836 by once again serving as depositors of federal funds and by lending and providing other financial services to the government. Their real success however was in serving as local and regional lending institutions, fostering the growth of the Potomac economy and preserving and expanding the regional participation in an increasingly dynamic and integrated national economy.

Chapter 5

Political Channels: The Chesapeake and Ohio Canal and the Politics of Internal Improvement Financing, 1817-1828

On July 4, 1828, a hot summer day on the Potomac shore, a large crowd gathered upriver from Georgetown to witness the dedication of the Chesapeake and Ohio Canal, an event nearly ten years in the making. President John Quincy Adams was enlisted to turn the ceremonial first spade of ground. Surrounded by the secretaries of the executive departments, members of Congress, foreign ministers, and citizens of the Federal District, Adams drove his ceremonial shovel into the ground. Instead of quickly tossing aside the scoop of earth required to signal the start of the federal government's biggest infrastructure project, the shovel struck a root and was uselessly deflected. Determined to fulfill the duties entrusted to him, the president stripped off his coat and repeatedly drove the shovel at the ground until he turned up enough dirt for the effort to qualify as groundbreaking. America's Great National Project officially commenced.

The story of the C&O Canal dedication has become famous for a few reasons. Chief among these is the fact that the ceremony occurred on the same day as a similar event celebrating the start of the canal's chief competitor, the Baltimore and Ohio Railroad. The two conduits shared the same right-of-way across the Appalachian ridgeline, and the railroad's supporters worried the canal would divert western produce to Washington City and put an end to Baltimore's quest to become the Chesapeake's preeminent commercial center. Prevailing opinion at the time held that these fears were well founded. The capabilities of railroad technology across such long distances and difficult terrain were untested, both projects would be expensive, and with the two cities within forty miles of each other it seemed unlikely supporters could secure funding for both. Even worse, the competition for scarce funds might bring both projects to ruin. "Both cannot succeed," concluded the editors of the Richmond Whig, "and we hope rather than believe, that both will not fall through."[340]

Given the intense competition, Baltimore boosters were quick to poke fun at the proceedings on the Potomac. In an oblique reference to Andrew Jackson, Adams's opponent in the presidential campaign, Baltimore accounts of the C&O Canal ceremony jibed that "it was a *Hickory* root that Mr. Adams met with on breaking the ground with the Spade."[341] For the B&O supporters, the comparative smoothness of the railroad's groundbreaking, presided over with much fanfare and without incident by ninety-year-old Charles Carroll of Carrollton, last surviving signer of the Declaration of Independence, portended great success for their project.

Historians have frequently referenced these contrasting accounts to illustrate a turning point in the history of American economic development, an anecdote that conveniently symbolizes the leap in transportation capabilities provided by railroads. In retrospect, the Baltimoreans had good reason for optimism. Decades of evidence offers little doubt that the B&O Railroad was a superior transportation enterprise to the C&O Canal. Railroads were easier to construct and offered speedier transport at higher volumes and with greater regularity than canals. Some studies of the economic growth and development of the United States have relied on the deficiencies of the C&O Canal to demonstrate the federal government's

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[340] Richmond (Va.) *Whig*, 8 July 1828.
[341] Baltimore *Patriot*, 9 July 1828.

incompetence at implementing infrastructure improvements.[342] The results of these infrastructure investments offered undeniable evidence. Between 1830 and 1860, the population of the District rose from 39,834 to 75,080. During the same period, Baltimore's population rose from 80,620 to 212,418 and the city became the Chesapeake's primary center for commodity exchange. The evidence seemed clear. Even at its own seat of power, the central government could not muster the resources necessary to construct a useful means of transporting goods between the rural hinterland and the Atlantic economy.

This assessment misjudges the effectiveness of federal policymaking by emphasizing the outcome and ignoring the origins of these projects. During the first decades of the nineteenth century, internal improvements became one of the highest-profile and most contentious issues in U.S. politics. Many Americans supported federal improvements funding, but Congressional action had been limited by the difficulties inherent in securing majority support for any particular infrastructure project. An effort to construct a major transportation artery for the benefit of the federal center seemed destined for disappointment. The people who would benefit most from a Potomac canal were the residents of the Federal District, who had no representative in Congress, and the inhabitants of the Potomac corridor, whose political influence was divided between two states each with their own internal struggles for commercial advantage. Underneath these practical political disadvantages was the intense skepticism with which Americans regarded any appropriations benefiting the federal seat of government. A

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[342] The C&O Canal is rarely mentioned in comprehensive studies of internal improvements except as an example of failure. See John Lauritz Larson, *Internal Improvement: National Public Works and the Promise of Popular Government in the Early United States* (Chapel Hill: The University of North Carolina Press, 2001), 221-22

Potomac canal represented precisely the sort of aggrandizement of central power that fueled opposition to a permanent federal seat.

Perhaps because of its shortcomings, the Chesapeake & Ohio Canal has attracted little attention from scholars.[343] There are good reasons for this oversight. By most metrics, the canal was a financial and economic failure. It conveyed fewer goods over its useful life than many competing commercial conduits, its operating expenses often exceeded revenues, and the company was deeply in debt when it ceased functioning in 1924.[344] Walter Sanderlin's 1947 monograph, *The Great National Project*, is the only book-length scholarly study of the canal. Although it was not unusual for improvers to call their pet project a "national" priority to justify federal construction contributions, the C&O is unusual in that the label was generally adopted by contemporaries.[345] More recent histories have characterized the C & O Canal as just one of many improvements undertaken in an era when such projects briefly enjoyed a burst of popular enthusiasm.[346]

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343 Several summary and local histories have been written. See Elizabeth Kytle, *Home on the Canal* (Baltimore: The Johns Hopkins University Press, 1996); Cornelius W. Heine, "The Chesapeake and Ohio Canal: Testimony to an Age Yet to Come," *Records of the Columbia Historical Society* 66/68, 46th separately bound book (Washington, D.C.: 1966, 1968), 57-60; and Ronald F. Lee, "Chesapeake and Ohio Canal," *Records of the Columbia Historical Society* vol. 40/41 (Washington, D.C.: 1940), 185-195.

344 Walter Sanderlin, "The Vicissitudes of the Chesapeake and Ohio Canal During the Civil War," *The Journal of Southern History* 11, no. 1 (Feb., 1945), 51-67, especially 51-54, provides some comparative data on various canals and railroads in the late 1850s and early 1860s.

345 Walter S. Sanderlin, *The Great National Project: A History of the Chesapeake and Ohio Canal* (New York: Arno Press, 1976), 47-48. The "national" appellation seems to have stuck in just a few cases. See Ralph D. Gray, *The National Waterway: A History of the Cheaspeake and Delaware Canal, 1769-1985* (Urbana: University of Illinois Press, 1989); and Philip D. Jordan, *The National Road* (Indianapolis: Bobbs-Merrill, 1948).

346 Larson, *Internal Improvement*; James Hobson Harrison,Jr., "The Internal Improvement Issue in the Politics of the Union 1783-1825," (Ph.D. Dissertation, University of Virginia, 1954).

This assessment is unsurprising because the complicated nature of the internal improvement issue made it difficult for any legislation to pass Congress and secure the president's signature. Sentiment in favor of federal internal improvements was growing during the second decade of the nineteenth century, but James Madison's surprise veto of the Bonus Bill in 1817 on the last day of his presidency risked killing the issue for the foreseeable future. The bill allocated money from the bonus payment made to the government for the stock it owned in the Bank of the United States to a fund established to finance an improvements program. Madison's declaration that the Congress did not have the power to conduct internal improvements without a constitutional amendment specifically authorized such activities put the possibility of federal action on the issue in limbo. [347]

This uncertain situation persisted until 1822 when James Monroe issued an opinion on the subject of internal improvements that substantially reversed Madison's earlier position. Monroe argued that the federal government did have the authority to participate in internal improvement project by virtue of its ability to appropriate money. In instances where "the welfare of the whole" union was at stake, Congress could legitimately use its power to appropriate money for a public works project.[348]

Friends of internal improvement like James Robertson were often frustrated when the incumbent president adopted an inconsistent policy or unexpectedly shifted support for infrastructure projects. This unpredictability and the criticism it engendered has led many historians to conclude that the early U.S. government left economic development primarily to

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[347] Larson, *Internal Improvement*, 59-69.
[348] E. Walker, *The Addresses and Messages of the Presidents of the United States* (New York, 1843), 237.

individual states.[349] Despite a series of official reports and legislative initiatives, the effort to design and implement a comprehensive system of internal improvement repeatedly fell victim to local and regional parochialism or constitutional objections, with the former often masquerading as the latter.[350] After the election of Andrew Jackson, a critic of internal improvements and the corporations that usually carried them out, economic development projects disappeared from federal policy, if not debate.[351] According to this view, the federal government did not again take an active role in transportation improvement until the expansion of the railroad system.[352]

Recent histories have demonstrated that the federal government often worked indirectly, unofficially, or in a supporting role to promote economic development in partnership with states, corporations, and individuals.[353] The prospect of federal participation mobilized investment from these disparate sources and channeled it to public goods. The C&O Canal was a product of this process. It was also a necessary component in the successful operation of this system governance. As the primary commercial conduit for the federal seat of government, the canal enabled the District to maintain economic and by extension political independence from

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[349] Oscar Handlin and Mary Flug Handlin, *Commonwealth: A Study of the Role of Government in the American Economy, Massachusetts 1774-1861* (Cambridge: Belknap Press of Harvard University Press, 1969 ed.); Louis Hartz, *Economic Policy and Democratic Thought: Pennsylvania*, 1776-1860 (Cambridge: Harvard University Press, 1948).

[350] Larson, *Internal Improvement*, 106-7, 119-26. Alexander Hamilton's *Report on Manufactures* (1790) and Albert Gallatin's *Report of the Secretary of the Treasury on the Subject of Public Roads and Canals* (1808) are the most frequently cited reports.

[351] See, for example, Charles Sellers, *The Market Revolution: Jacksonian America, 1815-1846* (New York: Oxford University Press, 1991), 289-90.

[352] Carter Goodrich, *Government Promotion of American Canals and Railroads, 1800-1890* (New York, 1960); Robert Lively, "The American System: A Review Article," Business History Review 29, no. 1 (March, 1955), 81-96.

[353] Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth-Century America* (New York: Cambridge University Press, 2009);

surrounding cities and regions. This self-sufficiency and the neutrality it implied legitimized the U.S. government and strengthened the union by giving Americans confidence their petitions for federal assistance received a fair hearing at the seat of government.

It was in this spirit that Monroe advocated a Potomac canal. "Connecting the Atlantic with the western country in a line passing through the seat of the national government, would contribute essentially to strengthen the bond of union itself," the president averred. The idea that transportation arteries generally, and the Potomac in particular, could serve a vital role by tying the republic's distant parts together with the seat of government was an idea that dated back at least to George Washington. Monroe had been a dedicated Potomac partisan since his service in the Confederation Congress, but his message focused on the river corridor's benefits to the union rather than the region.[354] It was a distinction friends of internal improvement had embraced, at least rhetorically, after realizing their habit of comparing the relative merits of different routes to the west proved more controversial than convincing.

The president also pointed out the value that efficient transportation had for essential government responsibilities like postal services and defense.[355] Military considerations probably had particular salience for Monroe, a former Continental Army officer and Secretary of War forced to evacuate Washington City in 1814 in advance of a British Army that burned the federal buildings. Overseeing the long process of rebuilding and expanding Washington's infrastructure heightened the importance in Monroe's mind of adequate security at the seat of government. Despite all these good reasons, Monroe had been cautious about openly

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[354] Kenneth R. Bowling, *The Creation of Washington, D.C.: The Idea and Location of the American Capital* (Fairfax, Va.: George Mason University Press, 1991), 66, 75.
[355] Walker, *The Addresses and Messages of the Presidents*, 264.

supporting internal improvements in the Potomac region or anywhere else. Although he believed Congress did "possess the right to appropriated money" for their construction, he preferred to avoid controversy. His message specifically referenced the November 1823 Chesapeake and Ohio Canal Convention – a recent gathering of "patriotic and enlightened citizens" – to suggest a clear popular mandate for his decision.[356]

In retrospect, Monroe's support seems misguided, and the entire C&O endeavor has become a somewhat notorious failure.

In order to understand the significance of the C&O Canal and the excitement that surrounded its groundbreaking, it is necessary to understand the obstacles that prevented canal construction. Urban rivals, opponents of centralized governance, and individuals skeptical of corporate power blocked funds for Potomac development. In order to overcome these challenges, canal boosters charted a course that secured federal, state, corporate and individual financing. This effort required political fights in Harrisburg, Richmond, Annapolis, and Washington City that would make federal funding for public improvements the central policy issue at a critical juncture in American politics. The outcome would help define the U.S. government role in economic development for decades to come.

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In his 1824 annual address to Congress, President James Monroe declared his enthusiastic support for a canal uniting the waters of the Chesapeake Bay and the Ohio River. Monroe's endorsement was not easily obtained. Although a long-time supporter of Potomac interests, Monroe tread carefully on the contentious subject of internal improvements. Potomac

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[356] Ibid., 265

boosters had been working to reinvigorate trade from along the river corridor from at least 1817. Efforts to secure federal assistance began in earnest as early as 1821. It was not until December 1823, a month after the Chesapeake and Ohio Canal Convention met at the U.S. Capitol, that Monroe decided the "beneficial consequences" of a "continued canal" connecting the Atlantic with the western country were "impossible to calculate."[357] Concluding a construction cost estimate was a more feasible proposition, the president asked Congress to fund a survey of the probable canal route. Based on the results of this survey, Monroe declared a Potomac canal was "a great national object" worthy of Congressional support.[358]

Monroe's unambiguous endorsement took James Robertson, leading advocate for a Potomac canal in Pennsylvania's Senate, by surprise. Reading the president's statement (a task that "required some effort"), Robertson admitted he was "uncertain" what the president intended by calling the canal "a great National object." Was it a national object because it would be of "great national advantage," or because the "general government" would construct it? Few internal improvements had attracted the president's attention. Perhaps worried that Monroe's label, or his support, might do the Potomac cause more harm than good given the issue's difficult politics, Robertson hoped Monroe's opinions had simply "undergone some change."[359]

A history of the C & O Canal legitimately begins with George Washington. As early as 1770, Washington began working with fellow Potomac landowners to make the river corridor

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[357] Edward Walker, *The Addresses and Messages of the Presidents of the United States from Washington to Tyler, Embracing the Executive Proclamations, Recommendations, Protests, and Vetoes, from 1789 to 1842*, 3rd ed. (New York: Edward Walker, 1842), 265.
[358] Ibid, 278.
[359] James Robertson to Charles Fenton Mercer, 21 Dec. 1824, Textual Records of the Potomac Company, National Archives, College Park, Md. (hereafter TRPC).

suitable for commercial transport. In 1785, the Virginia legislature chartered corporations to improve the Potomac and James Rivers, named Washington president of both companies and granted him 100 shares of stock in each. Washington's faith in the Potomac's commercial potential was boundless, and several historians have justifiably focused on his passionate advocacy in favor of the river's improvement.[360] Washington's interest in canal building and other infrastructure investments has received comparatively little attention, in part because Washington himself thought the "pecuniary extent" of such improvements meant it would be "very many years" before Americans could seriously engage such projects, the success of which depended particularly on "men of wealth" not easily convinced to part with their fortunes.[361]

Given the very real obstacles to public works – vast distances and scarce capital – American leaders pursued a middle strategy focused on improving the existing riparian network.[362] The Potomac Company managed the river passage for more than three decades, with mixed success. Its locks and canals around Great and Little Falls were among the era's first and most extensive public works.[363] The company's footprint on the region's landscape was small – three gatekeepers to collect tolls, one at Harper's Ferry and one each at Great and Little Falls, who also operated the locks. In addition, work crews periodically cleared obstructions and dredged the riverbed to ensure sufficient depth for cargo vessels to pass. The

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[360] Joel Achenbach, *The Grand Idea: George Washington's Potomac and the Race to the West* (New York: Simon & Schuster, 2005). Corra Bacon-Foster, *Early Chapters in the Development of the Patomac Route to the West* (Washington, D.C.: Columbia Historical Society, 1912).
[361] George Washington to Thomas Jefferson, 31 August 1788, and to Thomas Johnson, 20 July 1770, *The Papers of George Washington Digital Edition,* Edward G. Lengel, ed. (Charlottesville, 2007), URL: http://rotunda.upress.virginia.edu/pgwde.
[362] John Seelye, *The Beautiful Machine: Rivers and the Republican Plan, 1755-1825* (New York: Oxford University Press, 1991).
[363] Robert J. Kapsch, "The Potomac Canal: A Construction History," *Canal History and Technology Proceedings* 21 (March, 2002), 42-236.

company's financial footprint was considerably larger. Capitalized at more than $511,000, its 730 shares of stock were owned by the states of Maryland and Virginia and 129 individual shareholders. More significant was the Company's $178,000 debt. Creditors included the State of Maryland ($36,000), five banks in the District of Columbia ($30,000), stockholders in four bundled loans ($60,000), and debts owed to individual lenders. Also outstanding were prize awards owed for two lottery drawings ($40,000), and debts owed to several mercantile firms.[364]

It had become clear that by itself the Potomac commercial conduit was a failure, both monetarily and in competition with older systems like the James River and new ones like the Erie Canal. This was obvious even to the river's most voluble advocates, who nonetheless continued praising its potential at every available opportunity. The Potomac Company's poor financial prospects were apparent by 1817, when a shortage of funds halted work constructing new stone locks at Little Falls. The stockholders "insisted strongly" that former director John Mason become company president "in order to retrieve in some sort the affairs of the company." Mason had no expertise in engineering or canal building and the Company was probably primarily interested in his political and business connections. Mason admitted that as a District landowner he had "always felt a strong interest" in Potomac navigation. He had inherited his Potomac "plantation," Mason's Island (now Theodore Roosevelt Island), from his father, George Mason of Gunston Hall, and built Analostan, a country seat of sorts, at the island's southern tip. Mason maintained a townhouse on Georgetown's heights and the Water

[364] Correspondence and Reports related to the Potomac Company, Ledger B, National Archives, College Park, Md. For an overview of the circumstances surrounding these debts see Douglas Littlefield, "The Potomac Company: A Misadventure in Financing an Early American Improvement Project," *The Business History Review* 58, no. 4 (Winter, 1984), 562-85.

Street counting house of his firm, Mason & Fenwick, was a Georgetown fixture for more than three decades.[365]

The planter-merchant served as president of the Bank of Columbia from 1798-1814 and in 1808 was appointed the District's Superintendent of Indian Affairs.[366] Under Mason's administration, the Bank of Columbia became one of the District's most venerable institutions. The bank operated a branch out of the Treasury Department offices and counted many city elites and federal government officials among its customers, including James Monroe and most of his cabinet. Evidently pleased with the bank's services Monroe gushed to Mason that it would "always give me pleasure to hear from, & to be useful to you, should any occasion ever arise in which I might be so."[367]

There was little prospect of boosting the Company's annual toll revenues. The amount of commercial traffic on the river was commensurate with the region's annual rainfall, which determined the size of the grain crop and the depth and speed of the river. Mason was charged expressly with completing the company's new stone locks at Little Falls, and required "to Keep if possible things from retrograding, until aid could be administered from some quarter." The best hope for this aid was "from Public bodies disposed to patronize the work" since the Company's financial difficulties put private funds out of reach.[368]

Mason's first task after assuming office was securing the residue of loan money promised to the company by the District's banks in 1815 so the company could complete work

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[365] Willard J. Webb, "General John Mason of Analostan Island," *The Arlington Historical Magazine* 5 (Oct., 1976), 21-35

[366] Margaret Jean Ventrudo, "John Mason's Financial and Commercial Speculation in the District of Columbia: A Search for Pearls in an Urban Oyster," (M.A. Thesis, George Mason University, 1994), 12.

[367] James Monroe to John Mason, 27 July 1811, Papers of John Mason, Gunston Hall Archives, Lorton, Va.

[368] John Mason to Henry S. G. Tucker, 25 Jan. 1821, TRPC.

on the locks at Little Falls. Mason's stewardship was apparently a sufficient condition to convince the banks to stop equivocating and disburse the funds, and the completed locks allowed the company to resume operations in 1818 after two years of restricted transit. Mason then concentrated his efforts on solving the company's long-term financing problems. The company had acquired so much debt that interest payments threatened to crowd out its operating budget. In 1820, Virginia legislators voted to audit and review the progress of the Potomac Company. This surprised Mason, who was immediately concerned under the financial circumstances that a review might put the company's charter in jeopardy, but state senator and Potomac supporter William Fitzhugh assured Mason the review would almost certainly result in the state assisting rather than hindering company operations.[369] A similar survey provision soon passed the Maryland legislature, and a joint commission was appointed to inspect and assess Potomac navigation.[370]

Advocates of the surveys probably intended them from the outset to point policymakers toward canal construction, but as late as January 1821 Mason suggested to Virginia legislator Henry St. George Tucker a plan to extend the useful life of the existing Potomac Company by authorizing an additional purchase of company stock by the State of Virginia. In any case, at the end of 1822 the joint commissioners reported that it was "not prudent or expedient to give further aid to the Company."[371] This officially put "on foot" a "scheme" to "change the system and to make a canal navigation by means of a new company." Mason informed the stockholders that the charter of the old company would merge with the new, its stock and debts

[369] John Mason to William Fitzhugh, 13 Feb. 1820, and William Fitzhugh to John Mason, 16 Feb. 1820, TRPC.
[370] John Mason to Thomas Kennedy, 4 March 1820, TRPC.
[371] John Mason to the Potomac Company stockholders, 25 Jan. 1823, TRPC.

ostensibly "provided for" on "some fair and liberal terms."[372] These provisions would become a central issue in the struggle to charter and fund the new canal company.

Advocates for the Potomac Canal did not restrict their activities to discreet machinations in Richmond and Annapolis. A concurrent effort was underway in the towns and communities along the Potomac corridor and into western Pennsylvania to mobilize support for a canal system to connect the eastern and western waterways. During 1821-22, legislators in Harrisburg and Washington City received a smattering of petitions from "the concerned citizens" of the Potomac region recommending the benefits of a canal system.[373] Proposals to connect Pittsburgh, Smithfield, and Cumberland to the District via a system of improvements between the Monongahela, Youghagany, and Potomac Rivers had been discussed for years. In 1819, agents of the U.S. Treasury Department conducted a survey of the route. This had not resulted in any specific action because, as one citizen of Cumberland writing in the Baltimore Patriot put it, an unfortunate "diversity of opinion among members of congress and between the heads of the departments" stymied appropriation for the improvement of the rivers.[374]

By 1822 advocates of a Pittsburgh to Georgetown transportation system united behind the notion of a single canal traversing the entire route, but this was only a useful starting point. The challenge Potomac boosters faced was building a consensus in favor of canal improvement when no institution was willing to act alone to promote such a large and controversial project. Virginia's support for the canal was contingent on Marlyand's participation, and vice versa; Maryland was reluctant to act without a substantial contribution from the federal government,

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[372] John Mason to J.T. Johnson, 21 Feb. 1823, TRPC.

[373] Report of the Committee on the District of Columbia, Records of the U.S. House of Representatives, 17th Congress, National Archives, Washington, D.C.

[374] Citizen of Cumberland to the editor, *Baltimore Patriot* 10 Nov. 1818

but federal participation raised the specter of centralization among Virginia's states' rights alarmists and put the state's participation in jeopardy. Pennsylvania's support was useful in the effort to secure federal funding, but competition between projects within the state for federal funds put its lawmakers at odds over final approval for the canal. In order to manage these conflicting interests and ensure that the principal actors followed through on their initial propositions, supporters of the canal formed a network of activists with Virginia Congressman Charles Fenton Mercer at its center.

Mercer was from early in his political career a strong supporter of internal improvements but was a relative newcomer to the Potomac cause. As the representative of his native Loudoun County he had a strong political and property interest in Potomac prosperity, but was not gripped by the feverish advocacy characteristic of many Potomac partisans.[375] He did not speculate prodigiously in lands along the Potomac corridor or in Washington City, and refrained from outlandish predictions of the region's future commercial dominance, believing "such comparisons, where not necessarily required, tend to arouse the spirit of local jealousy" contrary to the public good.[376] Nevertheless, Mercer was probably exposed to these ideas from a young age, and was aware of their power to influence others.

Mercer's close relationship with John Mason probably influenced the congressman's interest in the river corridor. Mercer's father James Mercer had in 1811 recommended James Monroe, recently moved to Washington City to serve as Secretary of War, to John Mason, and

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[375] On Potomac boosterism, see Bowling, Kenneth R. *Creating the Federal City, 1774-1800: Potomac Fever.* Washington, D.C., 1988.

[376] *An Address by Charles Fenton Mercer to the Delegates of the Chesapeake and Ohio Canal Convention, given on November 5, 1823* (Washington: Gales & Seaton, 1823), 17; Douglas R. Egerton, *Charles Fenton Mercer and the Trial of National Conservatism* (Jackson: University of Mississippi, 1989).

the elder Mercer endorsed Monroe's discounts from the Bank of Columbia.[377] More significantly, the connection between Charles Mercer and John Mason grew into a partnership on behalf of the Potomac canal that that shaped the strategy to secure political support for the channel. This connection also helps explain Mercer's interest in the success of the Federal City and a depth about its origins and purposes typically reserved to city founders and District proprietors like Mason.

Mercer considered the canal vital not just to the success of the Federal City but also to the federal republic. In his widely-circulated speech to the 1823 canal convention, Mercer – who proposes calling the canal the Union Canal, and then proceeds to do precisely that throughout the 32-page peroration – argues that letting Potomac regional development languish, one of George Washington's fondest goals, was tantamount to deliberately besmirching the "immaculate character" of the man still first in the hearts of his countrymen. The critical issue for the federal government and its relationship with the city was its responsibility to encourage its development by fostering high property values. Pointing to the many "vacant lots" visible from the Capitol's window, Mercer hyperbolically estimated that "five thousand remain unsold; and are computed to be worth, under present circumstances, near two millions of dollars" (the actual number was about 2100, with a total estimated value around $150,000).[378] Congress had a particular obligation to ensure the sale and development of these lots, Mercer reasoned; federal participation would determine whether the U.S. government was "the

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[377] James Monroe to John Mason, 27 July 1811, Papers of John Mason, Gunston Hall, Lorton, Va.
[378] *An Address by Charles Fenton Mercer...*, 26; On lots and values, see Records of the Corporation of Washington, 1824 Tax Assessment, National Archives, Washington, D.C.

sovereign, or the mere *terrae tenant* of a part of this District" – in other words, whether or this was the Federal City, or simply a place where Congress assembled.[379]

Although it may seem counterintuitive, District support for the canal was not assured. Improvement projects that favored one District city over the others – or even one part of a city over another part – could be divisive. Those opposed to the canal project were keen to exploit these divisions, and promotional predictions showcasing the canal's benefits to Washington City's development were useful fodder for detractors. Mercer tried to counter these assertions by arguing the canal would boost the economies of Georgetown and Alexandria, as well as Washington City. Alexandrians had long complained that that Washington City's development came at their expense, and a canal project funded partly by District taxpayers seemed just another incidence of economic injustice. Even in Georgetown skepticism about the project abounded, despite the fact the canal would pass through the town before emptying into Rock Creek, the border with Washington City. Contrarians complained the canal would reduce the value of local produce "by bringing the pork, flour & c. of the back country to the doors of Geo: town." Merchants and their customers could not realize any benefit from the canal since "the lockage & other expenses will exceed the present charges already too great for Boatmen." Then there was the "poisonous effluvia" the canal would surely bring to "ruin the health of the people" of Georgetown. John Mason worked in his "neighbourhood" to ensure the "public mind" was "illuminated" to the canal's benefits, but the challenge could be daunting.[380]

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[379] *An Address by Charles Fenton Mercer...*, 26.
[380] John D. Dutton to John Mason, 21 March 1823, Papers of John Mason, Gunston Hall, Lorton, Va.

In the face of this opposition, the Potomac Company fulfilled the useful role of uniting Virginia's Potomac interest behind the C & O Canal project. The funds invested in the company were significant considering the price of the stock and the amount of debts outstanding. According to the rhetoric deployed by canal activists, dissolving the Potomac Company without providing its shareholders and creditors some amount of just compensation would be economically calamitous, not to mention a grave injustice. As John Mason pointed out, the shareholders had "served the interest of the community by cheapening and accelerating the carriage of about half a Million worth of produce per. annum for the last twenty years." After having "borne the brunt of the battle" of economic development while "contending with difficulties" of all kinds, the shareholders could not reasonably be expected to vote to surrender the Company's charter without some sort of dividend on their original investment. Similarly, the District banks "being much reduced in their business" in the aftermath of the Panic of 1819 would insist on full compensation, as would individual creditors. A proposal to "take stock in a new company to the amount of their claims as payment" would certainly be rejected.[381]

Theoretically, the Virginia and Maryland legislatures could "resort to a legal remedy" and revoke the Potomac Company's charter without compensation. Mercer recognized that securing the support of the company and its constituent interests would be a valuable asset in the effort to charter a canal company, so long as the price of that support did not make the new charter practically prohibitive. Mercer negotiated a 10 percent indemnity on company stock with the stockholders at meeting in January 1823, but during the debate in the ensuing session of the Virginia legislature it became clear that some members were pushing for even more

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[381] John Mason to Benjamin Forrest, 5 Feb. 1822, TRPC.

favorable terms. Mercer pushed back, declaring that 10 percent was already generous for these "public-spirited associates." Pretending that legislators' actions were simply motivated by ignorance of the compensation agreement, Mercer dedicated a sizeable portion of his convention speech to justifying the payment but refused to go further "lest, in giving to this company more than they ask we deprive them of the hope of ultimately receiving any requital for their heavy losses."[382]

The Canal Convention of 1823 passed a series of resolutions that laid out a path to forming a C & O Canal Company. The resolutions established several committees to advocate on behalf of the canal in the legislatures of Virginia, Maryland, and Pennsylvania, and in Congress.[383] This strategy envisioned a Potomac canal that was a joint venture of the states, the District cities, and the federal government, where Congress would play a vital role. This byzantine system seemed to satisfy the many conditions that had been placed on U.S. government support for internal improvements by three successive Republican administrations.[384] Mercer corresponded with Monroe to verify that the financing system envisioned by Potomac advocates met the president's standard of constitutionality and that the administration would not impede their efforts to secure legislative approval.[385]

Mercer's views on the relationship between the federal government, Washington City, and Potomac regional development served to bridge the gap in Monroe's mind between federal action and overextension. After thirteen years residing in Washington, Monroe could not have

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[382] *An Address by Charles Fenton Mercer...*, 29.
[383] *Journal of the Chesapeake and Ohio Canal Convention, 1823 and 1826* (Washington: Gales and Seaton, 1827), 9.
[384] Larson, *Internal Improvement*, 111-12.
[385] Charles Fenton Mercer, Autobiographical Sketch, Mercer-Hunter Papers, Library of Virginia.

avoided the city's rank boosterism, even if he offered no public comment on it. During that time Washington was invaded, its official buildings burned, then under Monroe's administration rebuilt with great difficulty and expanded. The city's population doubled in size but development remained slow, a conundrum that rankled the city's property owners. By 1824, Monroe and his entire cabinet had speculated in at least a few lots in Washington City. Federal City development could only improve the prospect of positive returns on those investments.[386]

Presidential support for the project was requisite but not determinative in the effort to recruit federal participation. Monroe's endorsement established a timetable for approval of the canal project, with an expiration set for inauguration day 1825. Considering the number of moving parts involved in the approval process, this could be a hindrance or a help. Securing Congressional approval of the canal charter would be a bigger challenge, both because Congress remained reluctant to fund construction projects at the seat of government and because overcoming that reticence required that supporters first secure charters of incorporation for the company from the state legislatures. This effort was complicated by the fact that provisions necessary to win approval of the charter in one legislature were often a poison pill for the charter in another legislature. This was particularly problematic when it came to provisions compensating Potomac Company stockholders and creditors and transferring its charter to the new company.

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[386] Records of the Corporation of Washington, 1824 Tax Assessment, National Archives, Washington, D.C.
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The challenges of urban rivalry manifested themselves in several ways, most prominently in the struggle to fund competing internal improvement projects. In Virginia, the Potomac canal's closest competitor for state appropriations was the James River canal project, which aimed to build a canal to link the James and Kanawha Rivers. The project had been underway in one form or another since as early as 1810. James River supporters claimed they needed at most another $300,000 to finish the project. In contrast, estimates for just Virginia's donation to the Potomac canal ranged as high as $1 million. James River partisans argued the state could not afford to do both, and pointed out the state's "superior interest" in the James River Canal, which unlike the Potomac works would be entirely within the state. John Gamble, an engineer and Mercer ally among the James River contingent pointed out that history was not on Mercer's side, since "the returns of the Potomac company afford no promising prospect of great reward" from a canal in that corridor.[387]

Cooperation between the James and Potomac legislators seemed the most likely path to success, but this alliance was a potential minefield. Gamble lamented the Potomac representatives' "overweening confidence in their ability to coerce the friends of the James River Canal, to assent to their terms, by a threat to arrest the progress of that work." Their behavior inspired "a painful apprehension of some very disagreeable result, which may equally disappoint both parties; & do vital injury to the great cause of Internal Improvement." Mercer expected an appropriation from Virginia's Sinking Fund was the canal's best chance; Gamble warned that strategy risked the death of the canal effort by a myriad of tiny legislative cuts. Too many interests had designs on the Sinking Fund, from "the time-serving, popularity

[387]John Gamble to Charles Mercer, 17 Nov. 1823, TRPC.

hunters, who wish to use it for a reduction of the taxes," to the "friends of the University" under construction in Charlottesville, as well as advocates of the primary schools and the "peculiar friends of the poor." The friends of internal improvement had to stick together on all issues or the Sinking Fund would be "so split up as to be insufficient for the attainment of any one great object."[388]

Gamble thought the real problem with this strategy was a "Potowmac delegation" that lacked "both talent & discretion," and he was particularly tough on two Mercer disciples, William Chilton and Edward Colston, the "uninformed, conceited, & shallow coxcomb," who was the acknowledged "leader of the Potomac interest."[389] Whatever oratorical talents Colston lacked he was apparently skilled at building a winning political coalition and negotiating the maze of actual and rhetorical political roadblocks. Those opposed to the canal viewed it as a clear and dangerous expansion of central authority – "a sort of Fedl. monster"—and refused to assent the charter unless it was made clear that "the assent of the congress of the United States, required in the first section, & the authority confer'd by the 14th section, be understood & taken as applying to them only as the legislature for the district of Columbia."[390] The "constitutional scruples of some go so far as to render it entirely hopeless to reconcile them" to the canal because they considered a federal subscription to the canal stock "a violation of the constitution" and Virginia uniting in that subscription would "sanction" that violation. Others objected "to the union of Congress in the incorporation of a company whose power is to extend

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388 John Gamble to Charles Mercer, 2 Dec. 1823, TRPC.
389 John Gamble to Charles Mercer, 17 Feb. and second letter 17 Feb. 1824, TRPC.
390 William Chilton to Charles Mercer, 29 Jan. 1824; Edward Colston to Charles Mercer, 22 Jan. 1824, TRPC.

over a part of the state of Virginia," but recognized that this group could likely be "induced to vote money to our object if their scruples were removed" by political favors.[391]

On more than one occasion, Colston suggested the path to approval might be easier without the federal government's participation, given the convenient "shelter" constitutional objections offered to project opponents.[392] But Maryland's political circumstances made it impossible to jettison federal participation. Project costs were a convenient foil for Baltimoreans and other Potomac detractors in the Maryland legislature, and the prospect of federal funding limited the effectiveness of cost-based objections. The canal charter passed the Maryland House of Delegates without much debate in March 1824, but legislator Thomas Kennedy was certain that "had money clauses been inserted, the bill would have been defeated."[393]

Much like Marylanders, Pennsylvanians' skepticism about internal improvements rested mainly on cost concerns rather than constitutional issues. In contrast to Annapolis and its Baltimore faction, Potomac advocates in Harrisburg found that urban rivalry tended to work to benefit their mission. Supporters of the Chesapeake and Delaware canal worried that supporting a Potomac canal would preclude the possibility of securing federal funds for their own project. Moreover, Philadelphians had come to see Baltimore as a more threatening rival than Washington City in the struggle for commercial supremacy. Building a Potomac canal seemed a perfect way to undercut their major Chesapeake rival – provided the charter did not include provisions for a branch canal to Baltimore. In light of these considerations, James Robertson thought it best to secure funding for the C & D Canal first and then present the

[391] Edward Colston to Charles Mercer, 23 Jan. 1824, TRPC.
[392] Edward Colston to Charles Mercer, 22 and 23 Jan. and 15 Feb. 1824, TRPC.
[393] Thomas Kennedy to Charles Mercer, 16 March 1824, TRPC.

proposition to the Pennsylvania legislature. Robertson deemed it "unwise" to push Potomac canal legislation in Pennsylvania "until the charters shall have been passed upon by the Legislatures of Virginia and Maryland." The best way to overcome "fancied local interest, illiberal and contracted notions, and a full share of prejudice" that so commonly opposed internal improvements was "by showing what Virginia and Maryland have done."[394] This condition proved problematic as events unfolded in Richmond and Annapolis, where the company charter was "bandied about, between the Legislatures of Virginia and Maryland," over what seemed to Robertson like petty concerns

Conveniently, John Mason's business partner Abraham Fenwick, and his nephew, George Mason, both served in the Maryland Assembly.[395] They, along with Archibald Lee, son of former Maryland governor and Potomac Company president Thomas Sim Lee, led the legislature's Potomac delegation. They faced tough opposition from Baltimore representatives who, according to Fenwick, thought themselves "the lords of the ascendant in Md." and looked down on "the Potomac Concern as a feeble interest."[396]

Baltimore legislators were panicked by the prospect of a Potomac canal and forced an amendment to the charter authorizing a branch canal to their city from the mainline of whatever canal was constructed. The branch canal plan buoyed a new raft of problems. A branch canal offered Baltimore a chance to realize some benefit from the canal project but, reluctant to contribute in any way to funding construction, specified that Congress would have final

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[394] James Robertson to Charles Mercer, 24 March 1824, TRPC.
[395] For Mason and Fenwick connections see Margaret Jean Ventrudo, "John Mason's Financial and Commercial Speculation in the District of Columbia: A Search for Pearls in an Urban Oyster," (M.A. Thesis, George Mason University, 1994).
[396] Abraham Fenwick to John Lee, 1 Feb. 1824, TRPC.

authority over the territory traversed by the canal. The prospect of a two-for-one canal did not mollify all Baltimoreans, a group of whom formed the association that successfully secured the Baltimore & Ohio Railroad Company charter.

The 1823-24 legislative sessions ended with Virginia and Maryland passing different versions of a bill to charter the Chesapeake and Ohio Canal Company. The discrepancy made it unlikely Congress would take up the charter legislation and offered critics an opportunity postpone considering the issue or reject state or federal participation, a possibly that might set a difficult precedent. The Pennsylvania legislature adjourned for the year without taking up the bill.[397] With little legislative progress expected, Potomac supporters worked to build and strengthen support among their natural constituency, the inhabitants of the Potomac corridor. A series of meetings in the towns along the canal's proposed route produced petitions that they forwarded to Annapolis and Harrisburg at the start of the new legislative season.[398]

At the start of the 1824-25 legislative season the prospect of reconciling the Maryland and Virginia charter provisions looked uncertain, and with the outcome of the 1824 presidential election in flux, internal improvements proposals got mixed up in presidential politics. At the same time, there seemed little hope of getting a bill through the Maryland legislature before Congress took up the issue. Archibald Lee reported that had the Baltimore faction had introduced an amendment limiting the money needed to secure the Potomac Company charter. This "stumbling Block" could be circumvented if the U.S. House approved a charter bill; Lee hoped "immediate adoption of the Virginia Law" by Congress, provided "Genl. Mason & our

[397] James Robertson to Charles Mercer, 28 March 1824; Jonathan Knight to Charles Mercer, 4 April 1824
[398] Jonathan Knight to Charles Mercer, 4 April 1824; F Tilghman to Charles Mercer, 22 March 1824; Bradley Tyler and John McPherson to Charles Mercer, 2 Jan. 1825; William B. Tyler to Charles Mercer 22 Jan. 1824, TRPC.

friends in George Town induce a cooperation," presumably by chatting with any members of Congress living in the neighborhood, it might put an end to questions in the Maryland legislature about the advisability of further amendments.[399] Some members thought the fastest way to bypass this roadblock was "to grant to the General Govt. the Territory over which the canal will pass and let congress make the Canal."[400] Such direct federal intervention was bound to be politically problematic, and even Charles Mercer, avowed centralist that he was, expressed "apprehension" at the plan.[401]

In light of these communications the range of challenges to the canal became clear – "The Danger of getting another act passed in Virginia—the belief that Congress will do no act that will prove of advantage until the states charter a Compy. The necessity of getting rid of the Old Company The delay any other plan will occasion" could all sink the bill for the year, and perhaps permanently. Supporters determined they could no longer wait for Congress to make clear what and how much the federal government would contribute.[402] "When the danger was ascertained," Jeremiah Hughes reported, "the legislature was found willing to act not only with promptitude and decision, but with precipitancy."[403] The Pennsylvania legislature again failed to approve a final bill chartering the canal, but late word reached Mercer that Ohio's legislature had already passed a charter bill.

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[399] Archibald Lee to Charles Mercer, 17 Jan. 1825, TRPC.
[400] Archibald Lee to Charles Mercer, 27 Jan. 1825, TRPC.
[401] Jeremiah Hughes to Charles Mercer, 31 Jan. 1825, TRPC.
[402] Archibald Lee to Charles Mercer, 27 Jan. 1825, TRPC.
[403] Jeremiah Hughes to Charles Mercer, 31 Jan. 1825, TRPC.

Congress authorized the company charter relatively quickly. The approval of Maryland, Virginia, and Congress seemed to meet Monroe's conditions for federal approval; he signed the act chartering the C & O Canal on his last day in office.

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With the federal charter secured, C & O canal supporters turned to the effort to secure funding for the canal. They followed a strategy similar to charter process. In December 1825 they called a convention of supporters, this time in Baltimore. The proceedings did not go as smoothly as they had during the 1823 convention. Delegate Jonathan Wilson was "apprehensive that little has been effected by our meeting," which seemed in some ways a step backwards. "The Charter was the genl. object of attack," and the Potomac Company was singled out for the requirements laid out to surrender its charter.[404] Indeed "the members of the Potowmac Co...wd. have been much amused, by the mighty importance given them, and in the contemplation of the dreadful and portentous features, attributed them, for a moment, might have deluded themselves, with the fancy of their Heruclean vitality." Some delegates "insisted upon the entire excision of this Company, as preliminary to their consent to any appropriation," and went so far as to refuse to allow "the execution of the work by any joint stock company."[405]

Thomas Kennedy, agent for Maryland's Treasurer of the Western Shore, who "always took an interest" in Potomac navigation, took a leading if somewhat opaque role in securing Maryland support. As one of Maryland's official debt collectors, Kennedy was responsible for collecting payment on state loans made to the Potomac Company. With the company clearly

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[404] Jonathan Wilson to Charles Mercer, 26 Dec. 1825, TRPC.
[405] Richard Potts to Charles Mercer, 26 Dec. 1825, TRPC.

unable to make any serious effort at repayment, Kennedy was one of the first to suggest the formation of a new Potomac company and allowing the old company "a certain share of the Stock in lieu of their claim," and considering this contribution to the new company as a form of payment for past debts.[406]

Whatever hyperbole opponents of the canal employed, it is clear that accommodation for the Potomac stockholders and creditors was politically important. After working to secure provision for the Company in the Maryland bill, Kennedy remarked that he hoped the "Grand work will soon go on" because he had "already made some sacrifices to aid it."[407] Kennedy seems to have had some influence with Gov. Sprigg, who was reportedly by October 1825 "very zealously devoted to the great object."[408] In December 1825, Thomas Kennedy asked John Mason to forward him the names of the company stockholders and creditors and the number of shares and payment due to each, so that Kennedy could bring them to the attention of Maryland's Governor and Council.[409] Mason transmitted the information, asking that "precaution is taken as well as Duty to the State of Maryland as a Stockholder as in propriety to the Individuals whose names compose the list in question."[410]

By the time the various acts made their way through the state legislatures, Congress had three different issues to address on the matter of canal funding, and Mercer split the C & O legislation into separate bills. One confirmed the states' amendments to the company's charter, and this passed both House and Senate easily. Another bill authorized the federal government

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[406] Thomas Kennedy to John Mason, 13 Jan. 1819, TRPC.
[407] Thomas Kennedy to John Mason, 12 March 1825, TRPC.
[408] Philip E. Thomas to Charles Mercer, 20 Oct. 1825, TRPC.
[409] Thomas Kennedy to John Mason, 23 Dec. 1825, TRPC.
[410] John Mason to Thomas Kennedy, 7 Feb. 1826, TRPC.

to subscribe to $1 million company stock, and this proved the most difficult hurdle for canal supporters. The final bill, also contentiously debated, authorized bond issues by the District's corporations and new property taxes to cover the cost of this borrowing.

Members of Congress found plenty to fault in and out of the stock subscription bill. Misgivings included the amount and timing of the federal stock purchase, skepticism about the participation of the states, questions about the number and character of individual contributors, and serious doubts about the estimated construction costs and eventual toll receipts. The cost question was the central issue for most members, and on this point Potomac advocates benefited from a new report by the Army corps of engineers estimating construction cost on the eastern section at less than $ 4 million. The source of funding, the dividend proceeds on the U.S. government's stock in the Bank of the United States, was not nearly as controversial as the amount involved. A $1 million stock subscription was already more money than Congress had ever committed at one time to a project, and the canal seemed another example in a long line of improvements that proved more costly than supporters claimed.

Kentucky's Charles Wycliffe recalled the 1824 survey bill, complained that Congress was mislead about the scope of the surveys and the possible improvements it contemplated. Instead of $30,000 spent to examine a few select sites, the War Department had expended more than $100,000 examining "every creek and culvert" between the Atlantic coast and the Ohio country. The result, according to Wycliffe, was "a growing corps of engineers, and, worse than all, a little army of civil agents, blood suckers, hangers-on, and dependents, who feed from public crib." Wycliffe did not categorically oppose internal improvements. In 1826 he voted in favor of a $100,000 stock subscription to build a canal around the falls of the Ohio, but that was a national project (that happened to be located in Kentucky), vital to the commerce of five states. The Potomac canal was not a national project simply because it bordered four states. It had to have some unique commercial characteristics to qualify. [411]

Mercer asked his colleagues to focus on the project under consideration rather than old surveys and justified its cost estimates by pointing to similar improvement projects in America and abroad. The cost to construct an equal length of the Erie Canal was comparable to the recent revised estimate, and the Erie's toll receipts were even higher than originally projected. The stock of one English canal that originally sold for £100 now traded for £4000. As each section of the canal opened, toll receipts would provide funding and the economic benefits would spur business development, ensuring there would be plenty of investors to purchase canal stock.[412] In addition, there was the "proprietary right of the Government in 3,350 lots" in Washington City, which would rise in value once the canal opened, further reducing the overall risk of the federal investment.[413]

More troubling to lawmakers was a suspicion that the subscription legislation was structured to leave the federal government stuck paying the full cost of the project. Maryland's $1 million subscription would not go into effect until $2.5 million – the amount expected from the U.S. government and the District's cities – was subscribed from other sources. Several wondered over the identity and character of individual subscribers. Several House members pushed amendments prohibiting the federal government from purchasing stock until all other subscribers, including every individual, had paid up their subscriptions. A compromise was

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[411] Register of Debates, House, 8 May 1828, 2207.
[412] Ibid., 2209.
[413] Ibid., 2612.

struck that brought a new level of incrementalism to the reciprocity that characterized federal-state participation. The federal government would pay half its subscription, with payment of the other half contingent on the states and corporations paying their subscriptions. Mercer, reasoning that it was "impossible" the states and cities "would fail to comply with their engagements," was satisfied with the outcome.[414]

Senators opposed to the canal directed their fire at potential stock subscribers. Georgia's Thomas Cobb was unimpressed by Washington City's subscriptions so far and suggested the stock books "presented but a beggarly account," bereft of "men of known capital and prudence."[415] New Jersey Senator Mahon Dickerson warned ominously that if the government entered "a partnership, they ought to know who were their partners."[416] Mercer thought these warnings misinformed, and protested that the subscribers were people of "highly respectable character."[417] Harrison pointed out that Supreme Court Justice Bushrod Washington had subscribed, and Lord Fairfax had committed to purchase $50,000 stock.[418]

The question of corporate control over the federal government was a recurring point of contention, and the old Potomac Company was an easy target for this criticism. Some in Maryland's legislature had seen a conspiracy by the company to corrupt representative governance. Members of Congress saw an attempt by the states and municipalities to use the company to saddle the federal government with the cost of the canal. The bill allowed shareholders to trade their "utterly worthless" stock in the old company for stock in the new.

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[414] Register of Debates, House, 8 May 1828, 2616.
[415] Register of Debates, Senate, 20 May 1828, 799.
[416] Ibid.
[417] Register of Debates, House, 8 May 1828, 2611.
[418] Register of Debates, Senate, 20 May 1828, 799.

This was $511,000 in stock at par value, more than half of Maryland's promised purchase. Dickerson thought the legislation clearly designed to force Congress "to come in with this million and make this Potomac stock valuable." Otherwise, there was no good reason for the provision, which turned the bill into a "hotch-potch." Dickerson might have understood the provision better if he had been responsible for securing approval of the charter from the legislatures of two states and the councils of three cities populated with investors in the old company. Maryland Senator Ezekiel Chambers thought Dickerson missed the point – if the federal subscription rendered worthless stock valuable that seemed an argument for, not against, Congressional approval. Dickerson thought Chambers reasoning was irresponsible – Congress should not "enter into a speculation."[419] Congress could be underwriting speculative scheme, creating an asset bubble by encouraging individuals to "go into market" to purchase the "useless script" of the Potomac Company.[420]

Georgia Congressman George Gilmer complained that the states and the Potomac Company would only advance money for the project in "expectation that the largest portion of the expense would be borne by the Federal Government" was an overt sign of the project's poor prospects and corrupt nature. The subscription of stock by the District's cities was "a phenomenon in the history of stock jobbing." Corporations created simply to keep public order would now have the power to create subscriptions to "lure" or provide "cover, under which the Government was to commence stock jobbing itself." This was clearly "contrary to their nature and design." Gilmer did not blame the cities for making this power grab. It was entirely

[419] Register of Debates, Senate, 21 May 1828, 800.
[420] Register of Debates, Senate, 21 May 1828, 801-802.

reasonable that they would “use all the means they could control, to induce the Government to make the canal.” The shame lay with Congress for bowing to local interests and making the cities’ subscription “any reason” for federal expenditure.[421]

All three C&O Canal bills had an easier time in the Senate than the House. Delaware Senator Louis McLane argued that Congress ought to aid the seat of government and “give it a fair share of the advantages enjoyed by other parts of the country” rather than keep it in a “ragged state.” Its permanence was important and improving the city by connecting it to a productive hinterland would ensure there was “no inducement to remove it.” No member openly disputed the McLane’s reasoning, but some contested his facts. If the Potomac valley was such a productive hinterland, why did development at the seat of government lag behind other coastal cities?

The legislation empowering the District corporations to issue bonds and collect new taxes to finance those debts faced its most difficult test in the House. Some members decried it as taxation without representation and therefore unconstitutional. The District had no representatives in Congress, but the legislation authorized new property taxes for the corporations under federal authority. The argument risked reopening a debate dating back at least to the Confederation on the nature of exclusive jurisdiction. Mercer implored his colleagues not to get caught up in “metaphysical” questions and focus on the legislation at hand.[422]

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[421] Register of Debates, House, 9 May 1828, 2627.
[422] Register of Debates, House, 15 May 1828, 2695.

More legislators were concerned that the District's citizens would not have the money to pay new taxes, even if Congress authorized the collections. Taxes were already high in the District, particularly in Washington City. New York Representative Silas Wright complained that a "failure on the part of the Corporations to meet the interest of their loans" meant the U.S. government would be "under obligation to make up the deficiency, and Congress would be teased with applications" until they had no choice but to pay the cities' debts. Mercer dismissed this objection because the legislation did not include a provision guaranteeing the cities' bonds, but those opposition thought this was disingenuous. The legislation empowered the president to appoint an agent to negotiate the bonds abroad, and the Treasury Secretary's signature would appear on every certificate. Wright said if the cities failed and he owned the stock he "would apply to Congress to make good the deficiency."[423] When several Congressmen voiced agreement, Mercer agreed to add a section to the bill explicitly disclaiming federal liability for the bonds.

Mercer's acceptance surprised everyone. New York's Michael Hoffman suggested redrafting the legislation since "the whole bill was originally drawn with the view that the General Government should guaranty the Stock."[424] Virginia's Alexander Smyth accused Mercer of engaging in "ingenuity," effectively covering up the fact that regardless of legislative language ultimately the funds "would come out of the Treasury of the United States."[425] Mercer did not deny the accusation. Even though the bill ultimately passed the House by wide margin, 111-68, it may have failed without the change. Mercer figured, as the bill's opponents indicated,

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[423] Register of Debates, House, 13 May 1828, 2672.
[424] Register of Debates, House, 14 May 1828, 2676.
[425] Ibid., 2677.

that Congress was on the hook for the District's debts, regardless of the legislation's provisions. In any case, Congress had already agreed to purchase one-third of the canal company's stock, with commensurate voting interest and seats on the Board of Directors selected by the President of the United States. Once revenues from toll receipts started coming in, concerns about the projects finances would melt away.

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The new Board of Directors of the C & O Canal Company elected Charles Fenton Mercer the company's first president, and he served in that capacity until 1833. Canal construction moved quickly at first, but by 1836 the canal was behind schedule and over budget. In 1852, with more than $8 million dollars spent, twice original estimates, the canal stopped at Cumberland, Maryland. B&O Railroad construction progressed more quickly than work on the C&O Canal, and the railroad reached Cumberland in 1850, and in 1856 it arrived in Pittsburgh. The railroad became one of the busiest and most successful transportations systems in the U.S., and was much successful than the canal.[426]

Despite its financial shortcomings, the C&O Canal proved useful to Washington commerce in important ways. At least some part of the canal operated for nearly a century, and the full length of the channel, all 187 miles from Cumberland to Georgetown, operated successfully until 1924 when severe flooding made repairs uneconomical. Over the course of its useful life, the canal carried more than 18 million tons of cargo and after 1862 toll receipts routinely exceeded operating costs. Often portrayed as the victim of unfortunate circumstances

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[426] On the success of the B&O Railroad, see James Weston Livingood, *The Philadelphia-Baltimore Trade Rivalry, 1780-1860* (New York: Arno Press, 1970).

or bad timing, its technological obsolescence conveniently highlighted by pictures of B&O trains roaring past canal boats along their shared right-of-way, the canal seems the model of economic development failure. The canal's difficult early going, as well as its slow, steady decline in the years after the flood of 1892, account for much of this reputation. But the canal's most successful years came when it was in direct competition with the B&O Railroad, and the two transport companies merged in 1904.

As Adams stood, shovel in hand, before the crowd of onlookers on the banks of the Potomac, he endeavored to remind those gathered of the difficult journey required to get to this point. Arduous as they had been, the first two steps – declaring and winning independence and affecting the union of the states – were in fact the easier part of the imperial prophecy Americans were intended to fulfill. "The third step, more arduous still than either or both the others, was that which we, fellow citizens, may now congratulate ourselves, our country, and the world of man, that it is taken. It is the adaptation of the powers, physical, moral, and intellectual, of this whole Union, to the Improvement of its own condition, by wise and liberal institutions[…]by the pursuit & patronage of learning and the arts; of its physical condition, by associated labor to improve the bounties, and to supply the deficiencies of nature; to stem the torrent in its course; the level the mountain with the plain; to disarm and fetter the raging surge of the ocean." The challenges to accomplishing the first two tasks had been posed by people, first those of the Britain and then Americans themselves. The last great challenge, "a conquest over physical nature," could be met only by Americans working together under the auspices of institutions formed by the people for the purpose of accomplishing these goals.[427]

In case any in the crowd were unclear about the kind of cooperation required implement these projects, Adams took a moment to spell it out. The canal project united "the moral power and resources—first, of numerous individuals—secondly, of the corporate cities of Washington, Georgetown, and Alexandria—thirdly, of the great and powerful States of Pennsylvania, Virginia, and Maryland—and, lastly, by the subscription authorized at the recent session of Congress, of the whole Union."[428]

Despite local, sectional, and philosophical differences, Potomac advocates managed to convince majorities in four different legislatures to commit funds to canal construction. Events, circumstances, and shared interests encouraged a partnership between the citizens of the District and the federal government that enhanced the federal government's political strength along with the city's economic strength. Funding the C&O Canal was the most high-profile example of different governments and individuals working towards economic development in response to coordinated actions. As historian John Larson has pointed out, in the years after 1828, federal appropriations for internal improvements increased on a continuing basis.[429] In each instance, federal officials were able to use federal support to mobilize local capital on behalf of mutually beneficial development projects, and it was this ideal that underpinned economic expansion throughout the rest of the 19th century.

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[427] *Richmond Enquirer* (Va.), 11 July 1828.
[428] Ibid.
[429] Larson, *Internal Improvement*, 191.

Conclusion

It is difficult for many modern Americans imagine that Washington, D.C., ever suffered from a dearth of support from the federal government. For people who have never known a federal government other than the powerful fiscal-military state that is the twenty-first century United States, asking how the city grew large and powerful seems a query which requires no explanation. That building a permanent seat of government was a controversial proposition would seem an outlandish notion to people who live during a time that takes such institutions for granted. That Washington, D.C., is partly a product of efforts to limit the size and influence of the federal government would be difficult for any visitor to understand.

A look beyond Washington's cityscape offers clues about the course of American urbanization and economic development. Although the U.S. Federal Reserve is headquartered in the District, since the late nineteenth century New York City has been the center of American banking and finance. Banks of all sizes are found throughout the U.S., including the District, but the greatest share of the business of finance is conducted in New York. Chicago is the nation's major center for commodity exchange and until the late twentieth century Detroit and an assortment of other Midwestern cities laid claim to manufacturing supremacy. The entertainment and arts communities are divided primarily between Los Angeles and New York City, while New England generally and the Boston area specifically are often considered the intellectual hub of the United States. Although the Washington, D.C., area has a dynamic and diverse economy, in the popular imagination the city is indelibly linked to its function as the political center of the American polity. Whatever the proportion of non-governmental economic activities conducted in Washington, it is not the London of America.

This division of economic activities is a product of a political economy that required reciprocal commitments by multiple stakeholders in order to secure support for any particular course of policy action. As a result, the benefits of energetic government were divided among the states and cities rather than clustering at the seat of government or any other single place. As a result, the federal government was able to encourage economic development without engendering resentment and jealousy over its authority. This is not to say that the system was without flaws. In the middle of the nineteenth century, the federal government did conspicuously fail to effectively settle disputes between the republic's competing interests. But the ensuing secession crisis and Civil War was a conflict between sections, not between the states and the federal center. Ultimately, federal authorities were able to resolve that conflict in favor of continued union, in no small part because the government had a base of power—the seat of government—from which it could quell the rebellion.

It is clear that Washington, D.C.'s prosperity and longevity as the seat of government rests in no small part on the success of the business of war, in particular the War of 1812 and the Civil War. During the 1860s the population of Washington City nearly tripled and although the city's population fell in the decades immediately after the end of the war, its status as one of America's great cities was secured. War was not the sort of commercial activity George Washington had in mind when he imagined a great entrepôt rising on the Potomac. Nevertheless, the United States was bound together in part by its financial connection to Washington, D.C. Rather than a center to trade goods on a global scale, Americans went to Washington to secure support for their internal improvements and preferred economic policies.

This system allowed Americans to mobilize capital on continental scale on behalf of their entrepreneurial efforts, thereby creating the conditions necessary to lead the global economy.

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