

# BOOM, BUST AND CRISIS

## How the Colonial Real Estate Crisis of the 1760s Turned Sheriff John Morton Into a Rebel

By Robert E. Wright

THE REAL ESTATE BUBBLE that burst in 2007–2008 was not America’s first or its most important real estate-related disaster. That dubious distinction goes to a little known crash that began in late 1763 that fed directly into the Imperial Crisis that ultimately culminated in the Revolutionary War. The callous manner in which British policymakers responded to the crisis apparently induced at least one colonial lawmaker, John Morton of Chester County, Pennsylvania, to sign the Declaration of Independence.

The drama began during the French and Indian War, a global conflagration that pitted the French and their Amerindian allies against the increasingly mighty British Empire. Much of the initial fighting took place in the New World and invigorated the habitually-sleepy agricultural economy of British North America. Specie (gold and silver coins) rained down on the colonial economy from three sources: British military expenditures, privateering and illicit trade with the French West Indies. Colonial governments added to the bounty by printing prodigious quantities of bills of credit, a form of fiat paper money similar to today’s Federal Reserve Notes.

The big infusions of cash lowered interest rates and made credit more available because nobody expected the colonies to go off the specie standard that anchored the nominal price level.



Portrait of King George III

With inflation unlikely, lenders were enticed to put their caches of cash out to interest on generous terms. The allure of cheap, easy money induced many colonists to borrow, some to start new businesses, others to consume foreign luxuries, and yet others to purchase land. All three groups came to rue their decision because they borrowed for at most a few years at a time, rendering them vulnerable to interest rate increases. As editorialist “Another Farmer” put it, “very few that lend out money, will lend it for longer time than a year.”

The old adage that what goes up, must come down does not always hold. (Today, persistent inflation

keeps the prices of everything buoyant and nobody expects healthcare costs or college tuition to decline, even in inflation-adjusted terms.) It’s quite true, however, that assets puffed up by unusually low interest rates, easy credit conditions and overall euphoria are typically doomed. In America following the end of the French and Indian War, land prices took a catastrophic tumble when the money that fueled the frenzy fled overseas to pay for imports or, in the case of bills of credit, was removed from circulation via taxation. At the same time, specie imports dried up as British military expenditures in the colonies nearly ceased, privateering profits plummeted and the Royal Navy cracked down on illicit trading.

Almost overnight, buy, buy, buy became sell, sell, sell. As the money supply slipped away, interest rates soared and credit became difficult to obtain. Many mercantile businesses soon foundered and mortgage borrowers found they could not refinance at all, much less as cheaply as expected. Inevitably, real estate prices gave way. In 1765, the editor of *The New York Gazette or Weekly Post-Boy* claimed that “there is such a general scarcity of Cash that nothing we have will Command it & Real Estates of Every kind are falling at least one half in Value.” “I know of sundry Estates,” a New York merchant reported late in 1766, “sold for not more than one third of their value owing to the scarcity of money.”

As real estate prices drooped, lenders understandably became wary about being caught with insufficient collateral to back their mortgage loans and hence stopped lending, forcing borrowers to pay the principal as it fell due or face a lawsuit. An anonymous editorialist in the *Virginia Gazette* argued that:

...almost a whole People are upon the Brink of Destruction. For, what else can we expect if every Man in Debt is compelled at this Time to sell off his Land and Effects to satisfy his Creditors? When the circulating Cash of the Colony is reduced to so low an Ebb, that an Estate which would have sold four Years ago for Ten Thousand Pounds, cannot now raise Money enough to a Debt of three?

Many colonists blamed British policymakers for their plight. It was bureaucrats in London who kept the money supply anemic and interest rates high by outlawing new emissions of legal tender bills of credit and cracking down on trade routes that would have brought coins to the colonies.

“Another Farmer” noted that:

Relations of this kind may seem strange in a province...where, six or seven years ago [during the wartime real estate bubble], our wealthy people were catching at every opportunity of letting out their money on good security, on common interest. But the wonder will cease, when we consider that out of £600,000 paper money, then current among us, (exclusive of gold and silver) we have only about £190,000 left, and all our gold and silver sent home.

The editorialist then explicitly blamed the continuation of poor economic conditions on King and Parliament for passing the Currency Act and other laws that he called “incompatible...with the rights, liberties and privileges of English subjects.”

When the Stamp Act threatened to withdraw yet more money from the cash-starved economy, many colonists could take no more. As one put it:

I must observe that it is not the Stamp Act or New Duty Act alone that had put the Colonies so much out of humour tho the principal Clamour has been on that Head but *their distressed Situation had prepared them so generally to lay hold of these Occasions.* [emphasis added]

The ineffectual and mean-spirited way that British policymakers responded to the crisis also put many other colonists in an ill humor toward the Mother Country. As editorialist “A Lover of Pennsylvania” told the *Pennsylvania Chronicle* in January 1768:

The burthens of the late war, have greatly enhanced our debts, and we are deprived of the means of satisfying those debts, by the late regulations on our trade; restricting our iron and some other manufactures; prohibiting our making paper money, and laying duties on other articles we cannot well do without. And I would now ask, in the softest and tenderest manner, is it not unparent-like? Is it not unnatural? It is not inhuman? Is it not cruel beyond description?

The postwar macroeconomic crisis apparently radicalized at least one signer of the Declaration of Independence, John Morton. After serving as a delegate to the Stamp Act Congress, Morton left the Pennsylvania Assembly for three years to serve as Chester County sheriff. Traditionally, sheriffs enforced property rights and hence were seen as pillars of local credit and global commerce. By the late 1760s, however, many colonists began to portray them as tools of British oppression, of thieves who seized the businesses and homes of respectable citizens caught up, through no

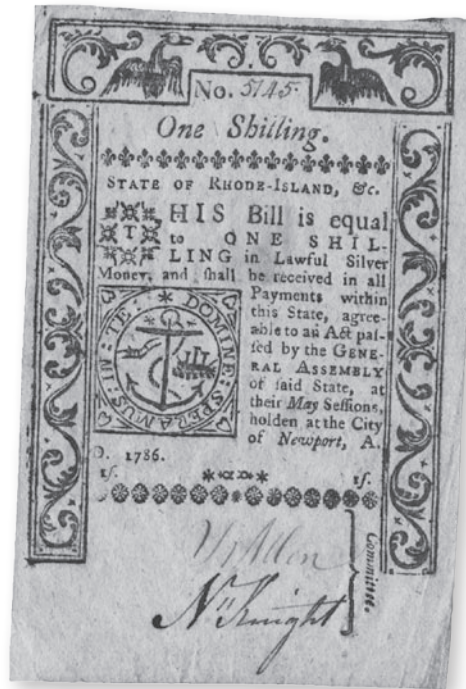
fault of their own, in an economic maelstrom perpetuated by Parliament, King George III, and their minions on the Board of Trade. In late 1767, for example, a writer in the *Pennsylvania Chronicle* argued that many sheriff’s sales were occurring “not for want of industry and assuidity...but for want of a currency, which it is impossible for him to reach.” He continued:

This is not a sudden but a growing evil; complainings, removals to other colonies, bankruptcies, executions, sales by the sheriffs, &c. have been for a considerable time too frequent amongst us; nor have I observed any measure undertaken, or any scheme proposed...for our relief (except the petitions sent home for a repeal of the act for restraining the colonies from making paper money, which petitions have hitherto proved ineffectual.)

Most of Morton’s private papers were destroyed long ago so scholars are not privy to his innermost thoughts. But his actions speak loudly. Soon after becoming sheriff in late 1766, Morton advertised the auction sale of 216 acres in East Fallowfield, 100 acres of “choice good land” in New London, 150 acres in Charleston township, 150 acres with a “good house, barn, stables, two good orchards, and a large quantity of good meadow,” in West Whiteland, and a town lot in Marcus Hook. All had been taken in execution by his predecessor, recently deceased. What Morton knew about the families devastated by those sales, nobody knows. But as the long lists of sales increased, Morton must have known some of the debtors intimately. The list of residents whose property he seized and sold during his tenure is almost an A to Z of Chester County and Morton’s advertisements at times took up an entire column in the *Pennsylvania Gazette*.

What Morton sold may also have tugged at his heart strings: Samuel

As soon as the colonists removed the yoke of British oppression they began issuing large quantities of bills of credit, including the infamous Continentals. Until ratification of the Constitution, state governments also printed paper money, like these bills of credit issued by Rhode Island in denominations of one to 10 shillings in 1786.



Martin's wheat in the ground; the horse, cattle, and furniture of John Huggins; two stacks of hay belonging to Amos Jones; the "good Negroe Man, that has been well used to work in a Forge," of Job Dicks; the "two lusty strong Negroe men, good farmers" of Peter Valleau; the "good tan yard" of James Hunter; Joseph Buffington's "feather beds, and bedding, an eight day clock, looking glasses, oval tables, desk, [and] case of drawers"; the "fusee and rifle gun" and "snow sleigh" of William Nublitt; the sheep of John Hamilton; the effects "too tedious to insert" formerly owned by Simeon Woodrow; or, most touching of all perhaps, the "Right of Dower of Lydia Millard" in a 100-acre farm.

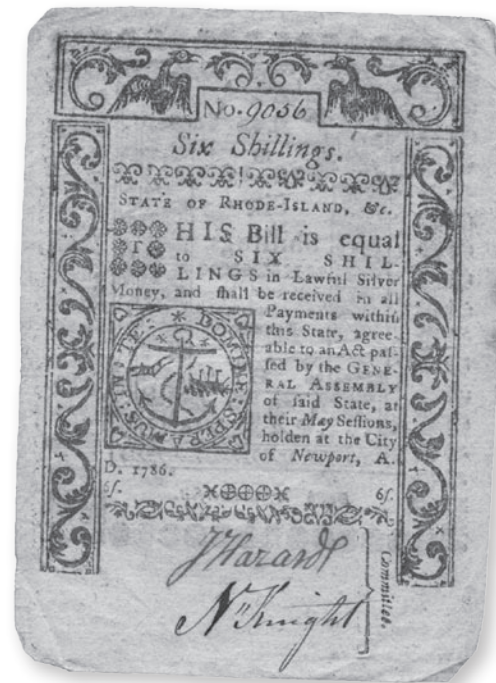
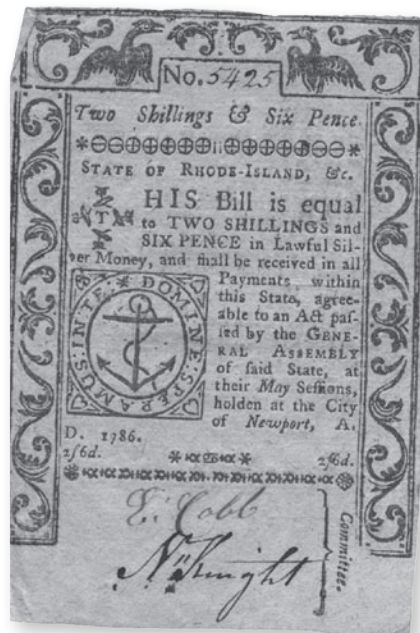
Morton handled the situation in a fashion that Chester County voters appreciated. In an advertisement in the *Pennsylvania Gazette* in 1768, Morton noted that he had been elected almost unanimously "at the last Election" and that he hoped to

win re-election because he was "not conscious of having disoblged you." In fact, evidence suggests that Morton may have begun helping debtors to re-title their property before he could seize and sell it.

Of course Morton would still have to throw his constituents into debtors' prison if they could not repay their lawful debts. Casting neighbors into jail was difficult to do because early prisons were such horrid places that they often led to death. Contemporaries called the institution a "human slaughterhouse" and a "dismal cage," among other things. The government provided shelter only, not food, clothes, and so forth, so want was common. In 1770, for example, seven debtors in Manhattan's "New Gaol" suffered from such "Extreamities of Hunger" that they longed for death. In most jurisdictions, debtors were crammed together with common criminals, increasing both the probability of physical violence and the spread of infectious diseases. In 1767,

an Anglican minister described the prison in Charleston, South Carolina as 12 feet square and jammed with 16 people. A person, he claimed, "would be in a better Situation in the French Kings Gallies, or the Prisons of Turkey or Barbary, than in this dismal place." In February 1767, Reverend Ogilvie of Trinity Church in Connecticut beseeched his parishioners to reflect upon the "calamitous Situation of the poor unhappy confined Debtor" and to immediately bring them "wood and other Necessaries for their Relief." Later that same year an editorialist called debtors' prisons "loathsome places...filled with every corruption which poverty and wickedness can generate between them."

During Morton's tenure as sheriff, many colonists voiced strong doubts about the efficacy of imprisoning debtors. Some earlier writers had done likewise but not until large numbers of reputable people ended up in confinement through no fault of their own did public sentiment turn decisively.



Museum of American Finance

“What greater pain can a man feel,” asked an editorialist in a January 1768 issue of the *Pennsylvania Chronicle*, “than the apprehension of having his goods and estate taken from him by execution, and perhaps himself shut up in prison—thus rendered incapable of providing himself and family with a morsel of bread!”

According to an editorialist in the October 30, 1766 issue of the *New York Journal*, debtors’ prisons were bad policy. “By this inhuman treatment,” he explained, “an unfortunate debtor, whilst in prison, is rendered utterly useless to society, a burthen to himself, a charge to his dear wife and children, who are rendered completely miserable.” In June 1767 a Rhode Island author also argued that “the community suffers a daily loss of so much as their labour is worth, all the time they are chained down to involuntary idleness, many of them in the most vigorous and useful part of life.” This writer was especially worried about the effects of jail on those “willing and

not able” to pay, an increasingly large percentage of those incarcerated. In November of that same year, similar sentiments appeared in the *New York Journal*. According to that author, many of those not paying their debts could not do so solely because of the “decay of trade.” “Is it not amazingly strange,” yet another editorialist wrote in the *Boston Chronicle* in February 1769, “that in this country so much famed for the liberties of its people, the laws should suffer private persons to indulge their resentment and revenge against their debtors, so far as to confine them in prison, and immure them for life, to the very great loss and damage of the public?”

Even though he may never have read any of those specific articles, Morton could not help but know that community sentiment had turned against imprisoning debtors. Furthermore, he must have realized that slapping good citizens into prisons with high mortality rates completed the Lockean trinity: British macroeco-

nomic policies stripped colonists of their lives as well as their liberty and property. As it became clear that many of the King’s other policies, the bailout of the East Indies Company, the Quebec Act, the Coercive Acts, and so forth, evinced similar effects, independence became the only real choice. In July 1776, Morton unhesitatingly voted for and signed the Declaration of Independence. He died, still in the service of his country, well before the outcome of the war he helped to launch was certain. ■

*Wright is the author of Fubarnomics: A Lighthearted, Serious Look at America’s Economic Ills (Prometheus 2010) and 15 other major studies of U.S. financial history and public policy. He is also the Nef Family Chair of Political Economy at Augustana College in South Dakota, a member of this magazine’s editorial board, and a member of the John Morton Project’s advisory board.*