

## Giving Credit in Colonial Maryland

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"Beautiful credit! The foundation of modern society," wrote Mark Twain and Charles Dudley Warner in their 1873 satire, *The Gilded Age*. "(I) . . . wasn't worth a cent two years ago, and now I owe two millions of dollars." Messages about the evils of credit found in today's popular press may lead readers to deduce that credit is something new but credit was big business in Babylon and Egypt 3,000 years ago. Objections and warnings about credit evolved on a parallel track. Although widespread use of currency came about in Europe in the late 16th century, in our 17th-century colony of St. Mary's credit and trade were the cornerstones of the economy.

There was very little hard currency in the British colonies throughout the 1600s. At the time, silver was in short supply in England. There was no significant production of local coinage although the demand for standardized coins was great. For about 30 years, beginning in 1652, a mint was chartered in Massachusetts to produce coins to promote local commerce. Problems quickly arose around valuation and the limited silver supply.

In the 1660s, Cecil Calvert produced his own coinage for the Maryland colony. Both enterprises were ultimately closed as the rights of the colonies to produce coinage were questioned in England. Neither produced enough coins to meet the needs. Foreign coins played an important role in trade, but importation of finished goods drew these coins out of colonies. Because of the scarcity of coins, the colonists also sometimes traded with bullets, wampum, and animal skins. Tobacco became the standard "money" of Maryland.



Christopher Columbus returned from his exploration of the Americas with a cigar for Spain's Queen Isabella and thus brought tobacco to the Old World. As the 16th-century played out, other explorers and travelers introduced tobacco throughout Europe. Tobacco was initially desired as a remedy for toothache, falling fingernails, worms, halitosis, lockjaw, bubonic plague, migraines, labor pains, asthma, cancer, and other maladies, including lung diseases. Smoking for pleasure followed. The Spaniard's success establishing tobacco plantations in Haiti and Cuba led to efforts to control the tobacco market, so to avoid trade with Spain the English encouraged tobacco plantations in Jamestown. The first crop of Virginia tobacco was sold in England in 1614 and demand soared.



Ironically, Cecilius Calvert, the second Lord Baltimore, intended for the fur trade to be the foundation of Maryland's economy supplemented by naval stores, a mining industry, and the production of grains, meats, hemp, flax, wood products, and tobacco to create a diversified economy. Calvert undoubtedly knew the Virginia economy was dependent on tobacco and he also would have known the price of tobacco was unsteady. Researchers and historians have suggested the decision to downplay tobacco

was, in part, political and reflected the negative opinions toward it of King James I, as outlined in his 1604 manuscript *Counterblaste to Tobacco*, and Thomas Cornwallis, a key investor.

Despite Calvert's plan, reality proved that the supply of furs was limited in Maryland. Problems with the Dove's captain and ship maintenance delayed the initial shipment of fur so long that it spoiled. No tobacco was grown in the first year of settlement but by the third year a pound of tobacco was the monetary standard. The quick rise of tobacco hinged on the fact that the tobacco trade between Virginia and England was well established.

Because labor in the Chesapeake was relatively scarce and expensive and tobacco profits relatively high, it made more sense to raise tobacco to trade for goods than to make the goods. Despite uneven prices over the years, profits were enough to warrant another crop. Trans-Atlantic trade and exchange with other colonies provided clothing, furniture, spices, tools, wine, flour, salt, and seeds, just about everything needed to run a household and farm. Tobacco was so profitable that laws were passed in Virginia and Maryland to ensure tobacco farmers also produced a quota of food.

*"That every person inhabitant of this colony  
planting tobacco shall yearly at the season  
plant and tend or cause to be planted and  
tended two acres of corn for his own feed. . ."*

Law passed by Maryland Assembly,  
1638-1639.

Colonists traded with tobacco and priced goods according to its value but they didn't walk around with their pockets stuffed with tobacco, ready to measure out five pounds of leaf for a pound of sugar. Because production of tobacco is seasonal, ready for trade or shipment in the late autumn, goods and services obtained throughout the year were advanced on credit. Innkeepers were obliged to supply credit to any freeholder. Nothing changed hands at the time of purchase, creditors maintained records of transaction.

By 1670, a law required creditors to wait until October 10, after the crop was in, to claim the tobacco they were owed. If the season was right, planters could obtain goods from whatever was available on incoming ships and trade using casks of tobacco directly. The rest of the year they could order ahead through a ship captain or a representative in England. The cost of goods delivered to the colonists was subtracted from the value of the tobacco crop sent to England. Those who could afford speculative purchases sometimes obtained goods to be sold from their homes or a warehouse.

Buying on the installment plan was common; many planters were heavily in debt to merchants. Volumes of court records describe the problems of a credit economy; they aren't much different from the problems in our society or in ancient Babylon. Note holders were impacted by the changes in price - if a merchant was owed a pound of tobacco and the value of a pound of tobacco on the English market went up, they profited. If the price went down, they lost. Another problem that emerged is reflected in a law passed in 1660. It required innkeepers to accept coins as a service to travelers with no access to tobacco. Thus, an ordinary (inn) was one of few places where actual money might circulate.

Credit has been described as one of the greatest promoters of social mobility. In the colonial Chesapeake good credit, supplemented by a bit of good luck, good timing, and hard work, could lift a yeoman planter through the ranks of tenant farmer to landowner and beyond. In that respect, our 17th-century Maryland was a shining example of the power of credit.

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