

“*The Financier: Robert Morris, America’s Original Bailout Czar*”**Ray Raphael*****Financial History (Fall 2009)***

There were no second or third choices. Everyone knew that only one man could possibly save the failing nation. Like him or not, and many did not, members of Congress begged the richest man in the country to reverse the worst financial crisis in American history.

The year was 1781, and a Continental dollar could not buy a penny’s worth of goods. Unless suppliers and lenders could be persuaded to accept Congress’s money or credit, there would be no beef or flour for the troops, no powder for their guns. Soon, no army, and in the end, no nation. The American experiment with independence, just five years in the making, would be no more than a brief episode in the history of the British Empire.

Before coming to the rescue, Robert Morris pushed Congress to grant him powers that no president has ever enjoyed. He could handle all money without oversight, dismiss any government worker at will, import and export on the nation’s tab, negotiate with and borrow money from foreign governments on his own accord, run the Navy, and simultaneously continue to build his private fortune. But he did come through. Merchants who refused to deal with a floundering Congress were willing to do business with “*The Financier*,” as he was called both at home and abroad. They wouldn’t accept Continental currency, but they would take “Morris Notes,” treasury bills backed by his own personal credit. If the government couldn’t pay, Morris himself promised he would.

Why don’t we know this man?

Born in Liverpool in 1735, Morris came to the colonies at the age of twelve and apprenticed with Charles Willing, one of Philadelphia’s leading merchants. At age fifteen, while his boss was traveling abroad, the young clerk cornered the Philadelphia flour market, thereby inducing scarcity and raising prices. Consumers were upset, but Charles Willing, upon his return, praised the eager young clerk for his entrepreneurial spirit. Morris was only twenty-two when Thomas Willing, Charles’ son, took him on as a partner.

The timing was perfect. Britain had just challenged France to a war of empire for the North American interior, and war meant opportunity. Morris enhanced his fortune by importing military stores, consumer goods, indentured servants, and even slaves, while exporting commodities from American farms. He also engaged in privateering, government-sponsored piracy on French commercial vessels.

Morris had no political views to speak of, other than the simple belief that “commerce should be perfectly free, and property sacredly secure to the owner.” But pre-revolutionary turmoil in the 1760s and early 70s interfered with free commerce. British officials placed constraints on trade, while American patriots responded by boycotting British goods. Although none of this was good news for Robert Morris, the war that followed was. Again, Morris profited by filling wartime needs, this time in an official capacity. As a delegate to the Continental Congress and chairman of the powerful Secret Committee of Commerce, he was charged with keeping the supply train flowing. Working tirelessly, Morris purchased goods for the Continental Army — often from the firm of Willing and Morris. A conflict of interest? Certainly, but soldiers were fed, clothed, and armed. Morris was more a procuring agent than an impartial referee.

Morris’s peers, for the most part, were pleased. John Adams, fond of assessing the character and utility of delegates to Congress, wrote of Morris: “I think he has a masterly understanding, and open temper and an honest heart. He has vast designs in the mercantile way, and no doubt pursues mercantile ends, which are always gain; but he is an excellent member of our body.”

George Washington’s admiration for Morris went far beyond that, for without Morris’s direct assistance on several occasions, Washington would have had no army. On the last day of 1776, with the terms of enlistment for his troops about to expire the next day, a desperate commander-in-chief jotted an urgent note to Morris: “Tomorrow the Continental troops are all at liberty. If it be possible, sir, to give us assistance, do it—borrow money where it can be done—every man of interest & every lover of his country must strain his credit upon such an occasion.” To which Morris responded the next day:

I am up very early this morning to dispatch a supply of fifty thousand dollars to your Excellency. You will receive that sum with this letter but it will not be got so

early as I cou'd wish for none concerned in this movement except myself are up. I shall rouse them immediately. If further occasional supplies of money are necessary you may depend on my exertions either in a publick or private capacity.

By the end of 1776, Congress was relying on Morris shamelessly. He served not only on the Secret Committee of Commerce, but also on the Committee of Secret Correspondence, which communicated (sometimes using invisible ink) with foreign merchants and diplomats, and the Marine Committee, charged with creating an American Navy and distributing the goods obtained by American privateers. When some delegates wondered why they were not better informed about certain business of the Secret Committee of Correspondence, the Committee, in the persons of Benjamin Franklin and Robert Morris, replied: "We are of opinion that it is *unnecessary* to inform Congress of this intelligence at present because Mr. Morris belongs to all the committees that can properly be employed in receiving & importing the expected supplies."

For better or worse, Robert Morris managed to make himself indispensable. When Congress fled Philadelphia on December 12, 1776, to escape the reach of an advancing British army, it left Morris behind to procure supplies and finance the army. He packed a wagon train loaded with his valuable possessions, ready to depart at a moment's notice should the need arise, and then conducted the various affairs of the nation by himself. He ordered salt sent to the countryside, purchased clothes for soldiers, rigged boats with guns, commandeered wagons to evacuate the city — all the sundry, on-the-ground decisions that had to be made in a time of crisis. While delegates at Baltimore did no more than talk, Morris acted. On one day alone, 23 of his letters were read on the floor of Congress to the refugee delegates, who formally approved the "care of the public business as signified in Mr. Morris's letters."

Morris profited personally, even while serving the public good. "It seems to me the present opportunity of improving our fortunes ought not to be lost especially as the very means of doing it will contribute to the service of our Country at the same time," he wrote to his agent in France. In addition to the no-bid contracts he issued to himself, he dispatched numerous privateering vessels, many of which returned with lucrative prizes. He also engaged in what we would now call a kickback scheme. He and Benjamin

Harrison, a business associate and paymaster for the army in Virginia, entered a pact that played to their mutual advantage: Harrison would send business Morris's way, charging the Virginia government an extra two percent, while Morris would let out Congressional contracts to Harrison, also at a two percent premium. Morris did not seem to find anything improper about this arrangement.

Even so, Morris hankered to get back into the private sector, where he could shop the "good bargains" in "inland speculation," which promised huge profits. He also hoped to take advantage of wartime shortages by accumulating scarce commodities and jacking up prices. "What think you," he wrote to a business associate, "of buying up in your state all such prize goods (not perishable) as sell cheap and laying by awhile?"

After leaving Congress in 1778, however, this practice landed Morris in trouble. Ordinary citizens in Philadelphia did not appreciate the "forestallers," "engrossers," and "monopolizers" who profited at their expense, and on October 4, 1779, distressed by a 50% rise in food prices over the previous ten days, a large crowd assaulted Morris, whom they deemed responsible, and some of his gentlemen supporters. Morris and company retreated to the three-story brick home of his lawyer, James Wilson, and proceeded to fire on the crowd, killing five men. In the days following the "Battle of Fort Wilson," as it was called, Morris was forced to hide inside his town house, too scared to light a candle at night.

###

By 1781, when Robert Morris assumed command of the government and the economy, more people resented the man than liked him, but that did not stop Congress from groveling at his feet. Things were that bad. Congress had lost all its credit: suppliers refused to advance it any goods or accept its currency as payment. Morris's credit, on the other hand, was perfectly sound, so Congress created a special office — "Superintendent of Finance" — and asked him point-blank to take charge of the government's affairs. He agreed, but only if he were allowed to run the show on his own. Congress had little choice but to agree. One prominent politico from Pennsylvania commented wryly:

The business of that august body has been extremely simplified, Mr. Morris having relieved them from all business of deliberation or executive difficulty with which money is in any respect connected, and they are now very much at leisure to read dispatches, return thanks, pay and receive compliments, &c. For form's sake some things go thither to receive a sanction, but it is the general opinion that it is form only.

“*The Financier*.” Those two words, definite article and noun, uttered together, invariably inspired awe, whether from admiration or fear.

The lynchpin of Morris's plan for recovery was a national bank, capitalized by private investors, which would extend credit to the government. In this manner, wealthy men would assume public debt, and once they did, they would make sure the government did not fail. The bank would operate without any restraints. There would be no limitations on the type of investments, no restrictions or regulations, no time limit for the charter. To keep operations secret from “national enemies,” the books would be closed. One person alone would provide oversight: “the officer who is appointed to manage the monied interests of America,” that is to say *The Financier*, Robert Morris. Although the very notion of such an institution flew in the face of prevailing republican ideology, it took a mere nine days for Congress to approve the Bank of North America — even less time that it took Henry Paulson to garner Congressional approval for the 700 billion dollar bailout in the fall of 2008.

While the national bank helped the flow of credit, its notes were too large and issued too infrequently to function as the nation's only currency. That's why *The Financier* created “Morris Notes,” drafts of \$20 to \$100, redeemable in specie, signed by himself and watermarked “United States.” Morris's own signature was key, for he vowed if the government couldn't make good on the notes, he would: “My personal credit, which thank Heaven I have preserved throughout all the tempests of the War, has been substituted for that which the country had lost.” Starting in November of 1781, “Morris Notes” superceded Continental currency in common business transactions. The bad news was that people placed more trust in the financial viability of a single individual than they did in the solvency of their government; the good news was that this particular individual,

who had profited greatly from the war, was willing to stake his fortune on behalf of a bankrupt nation.

###

By mutual consent, Robert Morris and Congress terminated their relationship on November 1, 1784. Morris, with his bank and his notes, had averted the crisis, but he never garnered the one power needed to place the United States on a firm financial footing: national taxation. That would come a few years later, with the new Constitution.

“The pursuit of riches,” Thomas Willing once jotted in his diary, is “the proper object of a reasonable man” — and once freed of public burdens, Morris was free to act reasonably once again. He monopolized tobacco exports to France, thereby driving down the price of tobacco here in America and angering southern planters, to whom he owed no more allegiance. With ships he had once used for privateering, he opened American trade with China and India. He invested freely and often, and he usually came out ahead.

In 1789, President George Washington offered his good friend and patron the post of Secretary of the Treasury under the new Constitution. This time Morris declined, for others could now handle the job. He preferred to pursue riches the unfettered way.

Like other capitalists in the New Republic, Morris saw the greatest opportunity in western land speculations. In 1795, relying on credit, his immodestly-named North American Land Company purchased 6,000,000 acres in seven states: New York, Pennsylvania, Virginia, Kentucky, North Carolina, South Carolina, and Georgia. The venture promised to return “at least four, but I believe ten times” the original capital, he told potential investors. It was a speculator’s millennial vision, profits beyond imagination. But as Morris searched for takers both in America and abroad, he found there were too many schemes such as his, and they could not all be capitalized. He failed to attract sufficient funds to pay back his original loans, and for the first time in his life, Robert Morris found himself unable to meet his outstanding obligations.

By the fall of 1797, the former Financier was “besieged with creditors,” not just figuratively, but literally. Secluding himself within his country estate, he braced for their charge. Some tried to enter by subterfuge. Others gathered and made a fuss at the gate.

Finally, on February 14, 1798, an angry creditor convinced a local sheriff to enter the house, seize Morris, and escort him to the Walnut Street Gaol.

For more than three years Robert Morris languished in jail, confined (except for privileges of the yard) to a room with doubled-grated bars across the windows. Years earlier, when the nation was bankrupt, he had stepped forward to bail it out; now, nobody reciprocated. Friends like George Washington might have helped if they could, but his debts were just too vast: \$2,948,711.11, by final tally. The Financier had fallen from the richest man in America to the poorest.

So ended Robert Morris's chance for inclusion in the national pantheon of founders. His life story, with its wretched ending, was not to be celebrated, no matter what The Financier had done before. Riches to rags is not the American way.

In his stead we have Alexander Hamilton, Washington's second choice for Secretary of the Treasury. Think "finances" and "founder" in the same synaptic moment, and Hamilton's name automatically appears. But throughout most of the Revolutionary Era, Hamilton was considered a prodigy, not a powerhouse. It was only after the reign of The Financier that Hamilton gained such renown by implementing the nationalist policies first pushed by Morris. Americans ever since have given the closer full credit, the starter none.

Ironically, Robert Morris's final and inadvertent contribution to public affairs ran directly counter to the thrust of his life's work. Before Morris went to jail, the federal government, although empowered to pass legislation regulating bankruptcy, had done nothing about it. To men in power, the term "debtor" connoted poor farmers — but if The Financier could be imprisoned, who among them was really safe? In 1800, Federalist Congressmen pushed through a bill that allowed a debtor to be set free, pending the approval of two-thirds of his creditors, and under that law Robert Morris, age 67 and spent, was finally released.

About the Author:

Ray Raphael's most recent book, *Founders: The People Who Brought You a Nation*, features Robert Morris as one of seven lead characters. His thirteen previous books include the bestselling *A People's History of the American Revolution*; *The First*

American Revolution: Before Lexington and Concord; and Founding Myths: Stories that Hide Our Patriotic Past.