Title **The Debit Economy of 1830s New England**
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An introduction to the economy of early 19th−century New England.

The economy of early America was cash−poor, i.e. there was not enough currency in circulation for all the business people needed to do. The only legal tender (money that everyone had to accept) was scarce gold, silver, and copper coins. Both coins minted in the United States and abroad (especially Mexico) were used, since it was the value of the metal in the coin and not who minted it that gave it its value. Printed paper notes issued by private banks circulated even more widely as cash, but these notes were only as good as the reputation of the bank that issued them. Even so, there were not enough bank notes to supply the economy's demand for cash either. As a result, New England's economy in the early 19th century was largely based on credit. (Indeed, much of today's economy still is!) Being a literate and numerate people, early New Englanders generally kept written accounts of what monies were owed them, and often less scrupulously what monies they owed others. This system was predicated on a certain degree of trust and some reciprocity, backed by legal channels for pursuing delinquent debtors.

Business with strangers usually involved the exchange of money (coins or bank notes), but as a matter of necessity, relatives, neighbors, regular and occasional trading partners usually conducted business on "book credit." Nineteenth century people called this "barter" or "trading" but it was not usually a straight−forward swap of a chicken for a pot, for example. The chances that two people would happen to have mutually desired goods of identical value at precisely the same time were just too high for the demands of regular business! Instead, cash values were assigned to all goods and services to make delayed exchange of dissimilar goods and services possible, even between people who did not need the goods or services of each other. As today, people tended to have a pretty good idea of what things are worth, and newspapers, especially commercial papers like the Boston Daily Advertiser, often printed commodity prices. One might try to negotiate a little better price for one's cheese, or a little higher pay for a day's work, however. Still, the other person did not have to pay it! While the archetypal 19th century Yankee may have been known as a "slick trader," that does not mean that people haggled over everything like at a Turkish bazaar! It seems that most often people just accepted what both parties felt was a fair price, as we do today at the auto repair shop or the supermarket (even if we don't always like it!).

Initially debits (and less diligently, credits) were chronologically recorded in a running "day" or "waste" book, or sometimes just on a scrap of paper. Later many people transferred these figures to an "account" or "ledger" book arranged with an account for each trading partner on a separate page. There were variations, but the basic account book form was usually to write the trading partner's name at the top of the left−hand page, followed by "Dr" for "debtor." Below this were written dates and goods received or services rendered prefixed by the words "for" or "to", followed by a price. On the right hand page, were the letters "Cr." for "credit" or "contra." Here items were preceded by the word "by," and the dates and prices of things the keeper of the book owed for were recorded. Many people kept less track of the money they owed, and trusted their partner's account for this. (How human to worry more about what others owe us than what we owe!)

Accounts were generally not settled at any one time, or at regular intervals. (While a few people may have tried to settle some accounts each new year, the vast majority did not, to dispel one myth that has crept into interpretation.) Often accounts ran for years or appear never to have been balanced. A new exchange, a move, the necessity for money, or a death and the settlement of an estate often prompted the parties to "settle accounts." Debts and credits were added and compared, and the parties signed the book as an acknowledgement. Small amounts were sometimes simply carried forward to begin a new account. Larger differences were settled by a promissory note (IOU), even a third party's note, or cash when the creditor demanded payment, and the debtor willing or able to make it. Most 19th century people never computed their net worth, however. It was often not until a person died and his estate settled that anyone knew for sure if he was solvent or in debt.

Delinquent debtors could be sued in a local Justice of the Peace court for smaller sums, or before the Court of Common Pleas (which met four times a year in Worcester) for debts in excess of $20 value. An account book was often sufficient evidence, but a signed note was proof positive. The court could order the debtor's goods, with certain exemptions (e.g. the tools’ of one’s trade) sold at auction to pay the debt. If there were not sufficient goods to cover the money owed, the debtor could be imprisoned (at the expense of the creditor) to prevent his fleeing, or to coerce payment if the creditor suspected hidden assets or a flush relation who might pay the debt to free the debtor. Or a debtor might decide to sell goods protected from seizure just to get out of jail. Besides settling the debt, a debtor could get out of jail by swearing a pauper's oath, saying he really did not have any assets to pay the debt. This did not absolve him of the debt, however, as there were no bankruptcy protection laws until 1838. Even then, they were much more restrictive than such laws are today.

With the economy built upon layers and layers of interlocking debts, and many people and businesses over−extended beyond their resources, a recall of debts at one level might cause the whole system to fall apart like a house of cards or a row of dominoes. That is indeed what happened in 1837, when a constriction of the money supply forced many people to call in debts that could not be paid. Banks were unable to redeem their notes for gold or silver, and many failed. Many people were financially ruined and business slowed. This economic “Panic of ‘37” was followed by a brief economic recovery in 1838, but a deep and persistent depression then returned and lasted from 1839 through 1843.

Remember, money is only as important as what it will buy and how much someone has to do to earn it. Numbers can be deceptive: small numbers do not necessarily indicate a small value, nor large numbers a large value. When the name of the currency is unfamiliar, we are sometimes more careful, but even so numbers can be misleading. What if I offered you a million Lei (Romanian money) for your car? Wow! A million !?! At today’s exchange rate, that is worth about $33.15 US. Still want to sell? Likewise, we must be careful when discussing 1830s prices with 21st century people, because even though we still use “dollars” and “cents,” the value of money has changed a great deal (at least as regards most goods) between the 1830s and today! And like today, some jobs in the 1830s paid a lot more than others did. There is no valid index for converting an 1830s dollar to a 21st century dollar, however. Wool, for example, is worth about as many cents per pound today as it was in the 1830s, while sugar has tripled in price, and cheese today sells for 50 times what it did 160 years ago. A fancy tulip bulb is worth about a dollar, whether in the 1830s or the 2000s, but is it the same dollar? Many goods and services have changed a great deal in the intervening years. For example, most of us today would say that we cannot afford hand−made shoes; 19th century people had no choice: all shoes were hand−made. Finally, so much of what we can buy today, from cell phones to an antiseptic and anesthetized appendectomy, could not be had then for any price. What we can say is that in general a person in the 19th century worked more hours to buy something than a modern person has to. In other words, modern Americans enjoy a higher standard of living than we did 160 (or for that matter even 20) years ago.

I hope this helps clarify 1830s economics a bit!