

“Backcountry Virginia Connections to the Atlantic Economy, 1746-1755”
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As you heard at the plenary session last night, we’re in Bob Mitchell country. Mitchell’s 1978 book Commercialism and Frontier: Perspectives on the Early Shenandoah Valley holds up remarkably well, much better than the work of some of his contemporary quantifiers back in the semi-conductor stone age. As his title indicates, Mitchell was keenly interested in commercial transactions, and he toiled to explain how this regional frontier economy increasingly was integrated into the larger economies of both Virginia and Pennsylvania. Mitchell recognized and repeatedly acknowledged that early ordinary settlers wanted to earn and spend money, and that the spending impulse included money they had not yet earned.¹

Mitchell mapped the export routes for goods produced in the valley; that map is reproduced as Figure #1 on the front page of your handout.² These exports--cattle, grain, butter, hides, cloth--produced credits and the credits in turn were redeemed for consumer goods that flowed back to the valley. As I’ve summarized here, it sounds pretty orderly, but as Mitchell himself repeatedly said at conferences in the 1980s and 1990s, the details of those commercial exchanges, and especially with regard to credit relationships, would remain mysterious until someone analyzed the court records of lawsuits involving bad debts.

I’ve been engaged in a study of civil litigation in early Augusta County, the contemporary borders of which are shown in Figure #2 on the front page of your handout. My co-author of that study and of this paper today is James C. Squire, my colleague in the Department of Electrical and Computer Engineering at VMI. We’ve analyzed the lawsuits of Augusta County’s initial decade; the county was organized in late 1745 and then dramatically disorganized in the summer of 1755, thanks to the outbreak of the Seven Years’ War. During this period, plaintiffs initiated about 3,600 suits. I’ll focus today on a small portion of those.

Within Augusta County, it turns out that a minor but statistically significant proportion of debts were denominated in Pennsylvania money: out of 1,198 judgments in indebtedness cases with a record for the amount of money owed, at least 118 were denominated in Pennsylvania money (9.8 percent). I’m interested in three issues with regard to those 118 cases: how Augusta County debtors acquired Pennsylvania monetary obligations, what happened when debts involving Pennsylvania money were litigated in Augusta County, and what exchange rate was used in judgments for debts denominated in Pennsylvania money.

Part I. How Augusta County Debtors Acquired Pennsylvania Monetary Obligations

The Augusta County debts denominated in Pennsylvania money had diverse origins. Some delinquent debtors incurred their obligations as residents of northern colonies who

¹ Robert D. Mitchell, Commercialism and Frontier: Perspectives on the Early Shenandoah Valley (Charlottesville: University Press of Virginia, 1978). Earn money: “The great majority of settlers were eager to exploit any profit-making opportunities available” (p. 4). Purchase on credit: “The early search for markets, characterized by small-scale trade by individual settlers with a large number of widely distributed centers in Virginia, Maryland, and Pennsylvania, appears to have been out of all proportion to the generally localized, limited commercial capabilities of early agriculture” (p. 160).

² “Fig. 21. Trading connections of the Shenandoah Valley by 1760,” in *ibid.*, 150.

subsequently moved to Virginia. Other debtors were Virginians shopping abroad in Maryland, Pennsylvania, New Jersey, and Delaware. Unexpectedly, a third category of debtors were Virginians dealing with other Virginians. Let's look at an example of each type.

Debtors residing in northern colonies who moved to Augusta County included John Scull of New Jersey. As a young man living in Gloucester County, New Jersey, just across the Delaware River from Philadelphia, Scull executed a bond for £15 on 21 May 1746. Scull promised to pay Gloucester County resident Nicholas Gibbons by 1 July, but instead immigrated to Augusta County. By late 1747, Gibbons had located the debtor and obtained a summons for Scull to appear before the next Augusta County court and to answer Gibbons' suit on a writ of debt. The Augusta County sheriff served the summons on Scull, but he twice failed to appear in court as ordered. County magistrates therefore confirmed a conditional judgment against him. On 28 February 1749/50, a jury found Gibbons' damages to be £15 proclamation money valued at £11:5:0 Virginia, plus costs.³ John Scull thus represents the immigrating frontier debtor.

The second type of debtor was comprised of Augusta County residents who visited Pennsylvania. It seems today a daunting journey, but ordinary settlers such as Andrew Scott nevertheless sometimes undertook it. In the course of what would have been at least a 600-mile round trip to Pennsylvania, Scott signed a penal bond with a face value of £18 to secure £9 owed to Adam Boyd, of Chester County; the debt was due on 1 November 1752. When Scott failed to make restitution, Boyd sued on a writ of debt, to which Scott responded by promptly appearing in court and confessing judgment. Scott acknowledged the £18 Pennsylvania debt, which was noted in the court order book as worth £13:10:0 Virginia.⁴

Scott's business connections far beyond the county borders are notable because he was a typical small frontier farmer, the sort of person not normally thought of as a roving consumer. Scott settled in Augusta County as early as 12 September 1742, when he sponsored his son's baptism at the Tinkling Spring Presbyterian meeting house near modern Staunton. He presented two more children for baptism in 1747 and 1749.⁵ County magistrates appointed him a constable in May 1747, and he served the usual one year; this was the sole county office Scott held through at least 1772.⁶ He also served on a total of seven petit juries in the years 1747, 1751, and 1755.⁷ In early 1748, Scott requested and received permission to keep an ordinary at his house, an

³ Augusta OB 1:351, 2:21, 329, 3:21. Penal bond 21 May 1746, complaint n.d., capias 18 December 1747, and appearance bond 13 Jan. 1747/8 in *Nicholas Gibbons v. John Scull*, originally filed in bundle February 1749A [i.e., 1749/50], Augusta County Circuit Court, Staunton, Virginia [hereafter cited as Augusta CCC]. For a comparable case involving parties from Newcastle County, Delaware, see *Walter Thretford v. John Young, deceased, administration by James Young* in Augusta OB 3:118, 134, 148, 152, 166, 171, 290, 331, 379, 4:127 and promissory note 16 Sept. 1736, complaint n.d., Augusta CCC. Proclamation money was colonial money emitted by colonies such as Pennsylvania and New Jersey and exchanged with British sterling at a rate of 4 to 3. Thus in general, £100 British sterling was valued at £133.33 in proclamation money. Gibbons' bond does not specify the currency so presumably the original debt was for New Jersey money, but given that "New Jersey's paper circulated in Pennsylvania at Par," I've included the Gibbons debt in the cohort of Augusta County debts denominated in Pennsylvania money. John J. McCusker, *Money and Exchange in Europe and America, 1600-1775* (Chapel Hill: UNC Press for IEAHC, 1978), 126, 168. (Quote regarding NJ/PA par on latter page.)

⁴ As with all penal bonds, Scott's debt was to be discharged by payment of half the face value plus interest from the date due and court costs. Augusta OB 3:452; see also Chalkley, *Chronicles* 1:308.

⁵ Wilson, *Tinkling Spring* 481.

⁶ Scott's precinct was in Captain John Christian's militia company. Augusta OB 1:198, 217, 2:4. [•••ck 2:4 for constable--page not noted in my constable database] Scott was listed as a private in Christian's company in a muster roll not later than 15 September 1742. Augusta County Militia Roster, 1742, Draper Mss 1QQ 14.

⁷ Augusta OB 1:299, 300, 302, 3:224, 4:435, 436 (2 juries).

annual license the magistrates subsequently renewed once.⁸ Presumably the house in question was located on the 200 acres that Scott later purchased in Beverley Manor (in modern Augusta County) in 1753. His land lay in the same militia precinct as his constable's appointment six years previously, and Scott neither bought nor patented additional land in Augusta County through at least 1772.⁹ A 1756 militia roster indicates that Scott still resided within the bounds of the same militia company in that year.¹⁰ Andrew Scott represents small farmers who incurred debts while traveling in Pennsylvania.

A third and unexpected type of debtor was comprised of Augusta County defendants owing Pennsylvania money to Virginians in adjoining counties. At least two Albemarle County residents sued in Augusta County courts to recover such debts.¹¹ Most strikingly, 13 Frederick County residents filed comparable suits (Table 1 inside your handout). At least three Frederick County creditors were magistrates; others, such as Peter Tostee, were shopkeepers.¹²

Tostee operated a store in the Frederick County (lower) portion of the South Branch of the Potomac as early as 1748.¹³ One of Tostee's delinquent customers, Daniel Richardson, had lived upstream, in the Augusta County part of the river valley, since at least 18 June 1746, when Augusta County magistrates named Richardson and two South Branch neighbors as road viewers.¹⁴ Richardson never owned land in Augusta County, but he played an active role in its early settlement. He was named again in a 1751 South Branch road order, and served as a constable in his neighborhood for the usual one-year term beginning in May 1750.¹⁵ On 31 May 1751, two days after he petitioned the court to relieve him of his constable duties, he twice served as a petit juror in Augusta County trials at Staunton.¹⁶ He did not attend court, however, the previous November [1750], when Peter Tostee's attorney petitioned the Augusta County magistrates to recover a debt secured by Richardson's note of hand. Because Richardson failed to appear to answer Tostee's petition, the magistrates immediately issued judgment for the plaintiff. Richardson's note of hand was for £2:5:0 Pennsylvania, which the court valued at £1:13:9 Virginia.¹⁷ Richardson thus represents a third type of frontier debtor dealing in Pennsylvania money.

Taken together, the three types of debtors shared certain characteristics: all were male; most exercised only occasional minor public authority; the great majority owned no land when

⁸ Augusta OB 1:344, 2:148. There is no record that Scott sought an additional renewal after the one-year permission expired in May 1750.

⁹ Augusta County Deed Book 5:224 (microfilm, LVA). For Scott's residence there in 1753, the year of his suit, see his name on the 15 August 1753 list of the road gang for John Henderson's road. *Ibid.* 4:7.

¹⁰ Muster roll of Captain Israel Christian's company, 9 Aug. 1756, in Augusta County Court Martial Records, 1756-1796 (microfilm, Library of Virginia).

¹¹ *Joseph Kinkead v. John Carmichael*, Augusta OB 1:242, 3:304; *James Finlay, deceased, administration by David Bell [subsequently James Bell] v. James Rutledge*, Augusta OB 2:39, 391, 3:5 [•••Rose Diary for plt location].

¹² *Andrew Campbell gent v. Joseph Walker*, Augusta OB 1:352, 362, 2:11, 400, 451, 3:5, 32; Campbell was re-appointed as a Frederick County magistrate on 23 April 1743. *EJC* 5:117. *John Hite gent v. Peter Mauck*, Augusta OB 3:482, 4:23; *EJC* 5:269, 302. *John Neal v. John Campbell*, Augusta OB 1:126, 150, 180; For Hite & Neal's initial appointment to the Frederick County commission of the peace on 12 Nov. 1748 and renewal on 13 Oct. 1749, see *EJC* 5:269, 302.

¹³ Hofstra, *Planting of New Virginia*, 192.

¹⁴ Augusta OB 1:49.

¹⁵ Road: *ibid.* 2:581. Constable: *ibid.* 2:[•••354-362], 2:[•••572-584].

¹⁶ *Ibid.* 2:596, 597.

¹⁷ *Ibid.* 2:510.

their creditors sued them,¹⁸ and the debtors who did own land held acreage that was typical for Augusta County yeomen.¹⁹ In short, they were ordinary frontier white men.

Part II. What happened when cases involving PA money went to court?

Let's look more closely at what happened when cases involving Pennsylvania money went to court in Augusta County. We'll start with the formal rules: what was Virginia law with regard to debts incurred in other colonies?

As of 1686, debts contracted in Maryland or North Carolina were "recoverable in Virginia...as though...[they] had been contracted in Virginia."²⁰ Over time, Virginians traded in more distant colonies, and the practice of recovering debts incurred abroad apparently was extended without additional statutory authorization.

Debts contracted outside Virginia did require special handling, however. Virginia courts could only render judgments in Virginia money or in pounds sterling. If the debts were denominated in the money of some other colony, then an exchange value had to be established.

No Virginia statute governed exchange rates for money from other colonies, so who set the exchange rates in Augusta County cases?

The answer, it turns out, is a reminder that the law as practiced in Virginia county courts often defied easy generalization.

There were 5 different paths by which judgments for debts denominated in Pennsylvania money were translated into Virginia currency. We'll look at 2 in particular and touch briefly on the remaining three.

Path #1: One way that contemporaries approached conversion problems was to treat them at a trial by jury as questions of fact. One example will suffice: in 1742, John Pickens signed a penal bond for a nominal £23 Pennsylvania money to secure £11:10:0 payable on demand. When the plaintiff's attorney initiated suit on a writ of debt in 1747, the attorney stipulated that Pickens owed £23 Pennsylvania, which the attorney claimed was of the value of £23 Virginia. At the

¹⁸ Out of 118 cases in which debts originally were denominated in Pennsylvania money, 82 (69.5%) involved defendants who owned no land when they were sued. Out of 90 individual defendants, 62 (68.9%) owned no land when they were sued.

¹⁹ In 36 cases, defendants owned land. Of these, the minimum acreage was 100, the maximum acreage was 1,348, the mode acreage was 400, the mean acreage was 422.4, and the standard deviation was 261.4. In all, 28 individual defendants owned land. These had the same minimum, maximum, and mode acreage; their mean acreage was 431.7 and standard deviation was 275.9. For details of Augusta County acreage in this period, see Figure 6, "Augusta County Freeholders, by Acreage Cohort, 1749-1769," in McCleskey, "Rich Land, Poor Prospects," *VMHB* 98 (July 1990): 470.

²⁰ "An Act declaring Maryland and North Carolina debts pleadable," October 1686, Hening, *Statutes at Large* 3:29. This act repealed a 1663 law stipulating that "noe debt whatever is pleadable against any inhabitant of this country but for goods imported in this country." "An act concerning forreigne debts," Sept. 1663, *ibid.* 2:189.

trial in early 1748, however, an Augusta County jury found for the plaintiff but valued the award in Virginia money as 75% of the Pennsylvania amount.²¹

So: juries tried facts, to include factual questions of exchange rates. They did so only rarely, however. In just 5 of 118 cases (4.2%) did the parties meet in court to present their case to a jury.

Still, that amounted to a lot of individual votes on the question of exchange rates: 56 individual jurors on trials of fact involving monetary exchange rates.

Path #2: More commonly, juries also were convened by writ of enquiry under a sheriff's supervision to set damages after a defendant defaulted--that is, after a defendant failed to appear in court. In such cases, defendants did not present their side of the issue to their juries. Sheriffs oversaw such juries in 14 out of 118 cases (11.9%) involving Pennsylvania currency.

Here's a quick example: in 1748, James Greenlee's attorney launched a lawsuit against Malcom Campbell seeking £11:0:6 Pennsylvania in damages, valued at the same amount in Virginia currency. Campbell defaulted by not appearing in court to plead, and the sheriff subsequently convened a jury to determine the plaintiff's damages. The jury found Greenlee's damages to be £8:5:4 in Virginia money.²²

The juries on writs of enquiry amounted to many additional votes on the question of exchange rates: 106 individuals served on juries convened on writs of enquiry...

Of whom 85 had not served on juries for trials of fact.

Added to the unique jurors in trials of fact, that's 141 different jurors with a vote in establishing exchange rates.

Paths 3-5: After accounting for cases in which juries valued Pennsylvania money, we're left with 83.9% of cases, a hefty majority, in which someone other than jurors established a monetary exchange rate. These additional voices regarding exchange rates included:

--parties to the original debt agreement;
--magistrates collectively sitting in judgment who apparently acted on their own initiative; and
--individual magistrates acting officially outside the courtroom who validated a ratio asserted by the plaintiff.

In the interest of brevity, I won't describe examples of each but rather will summarize this way: exchange rates were set or negotiated by at least a couple of hundred people from different

²¹ *Martha Arthur by next friend & father-in-law Thomas Williams v. John Pickens*, in debt. Per Aug CCC, box "Jan 1747-Aug 1747," the capias dtd 5/26/1747 cites def's debt for £23 PA of value of £23 VA. Debt is penal bond dtd 9/16/1742 for £23 PA to secure £11:10:0 payable on demand; at time of making bond, both parties were of Orange County, VA. Plaintiff's attorney = Porteus. Jury found for plt & valued VA award at 75% of PA. [AOB 1:370, 2:50; Aug CCC box "Jan 1747--Aug 1747, folder May 1747]

²² *James Greenlee v. Malcom Campbell*, AOB 2:88, 334, 3:22. The jury's award was one ha'penny less than 75% of the Pennsylvania value claimed by Greenlee's attorney.

places and with divergent interests in the outcomes of the suits: creditor plaintiffs, debtor defendants, attorneys, magistrates, and of course jurors.

Part III. Monetary Exchange Rates on the Virginia Frontier

What exchange rate did this large and diverse group produce?

At first glance, the rate seems to have been a foregone conclusion: in Augusta County from its inception through May 1755, £3 Virginia usually equaled £4 Pennsylvania. On average, the 118 cases under consideration had an exchange rate of 0.7507.

In other words, the average is within 7 ten-thousandths of three to four.

Indeed, the ratio was exactly three Virginia to four Pennsylvania in 9 out of 10 cases.²³

But what about the other 10%?

That group has some interesting fluctuations. They produced the slight annual variations discernible in Figure 3, on the last page of your handout.

In part, Figure 3 graphs the annual average of Augusta County exchange rates for Pennsylvania money. As you can see, sometimes the average was pulled a little above or a little below the 0.75 ratio.

And you'll notice a second set of averages graphed there, too; that's a comparison of annual average exchange rates in sterling for bills of exchange drawn in Virginia and in Pennsylvania.

We'll call that second set of averages "The Market." These come from a wide range of sources and transactions gleaned over the past several decades and tabulated by John McCusker.²⁴

The Market's more volatile graph illustrates all the known exchanges of Virginia or Pennsylvania money with pounds sterling.

It's important to note that while this second set of rates shows a more diverse range of values, it also averages to almost exactly three to four. Specifically, the average is 0.7509.

Augusta County's rate for the decade under study thus was just 2 ten-thousandths off The Market's rate. That's 1 farthing out of about £5:2:2--a miniscule difference by any measure.

²³ Out of 118 suits in which Pennsylvania money was converted to Virginia money, the ratio of Virginia to Pennsylvania money was exactly 0.7500 in 106 cases (89.8 percent).

²⁴ John J. McCusker, columns Eg 315 and Eg 321 within Table Eg 315-324, "Rates of Exchange on London by Colony or State: 1649-1790," in Historical Statistics of the United States: Earliest Times to the Present, Millennial Edition vol 5, Governance and International Relations (Cambridge & New York: Cambridge University Press, 2006): 697-99.

So: the Augusta County exchanges almost exactly reproduced The Market's result, but with a lot less year-to-year variation, which to a modern economist means a lot less financial risk.

Less financial risk...not a phrase we normally associate with colonial settlement frontiers...

If you scrutinize the data, you'll notice that in every year but 1754, Augusta County rates moved in the same direction as The Market--up a bit when The Market rose, down when it fell.

That's an evocative although not in itself definitive set of coincidences, and the coincidences encourage the question "Could the relationship between exchange rates in Augusta County and exchange rates in The Market be a product of random chance?"

This question, which for brevity we'll call the null hypothesis, can be resolved statistically using the student-T test. According to that calculation, there's only a 4.22% chance that randomly assembled data would follow The Market as closely as Augusta County's exchange rate followed it.

That 4.22% chance, called a p-value, is below the 5% threshold generally accepted to mean that the data is statistically significant.

The small p-value tells us that the two rates are correlated. It doesn't tell us anything about the causality of the correlation; that is, we can't tell which exchange rate tracks the other. But we can be confident that their correlation is no accident.

Part IV. Conclusion

I'll summarize this way:

Between 1746 and 1755, ordinary frontier white men owed debts denominated in Pennsylvania money.

They brought those debts to Virginia or incurred them while traveling north of Virginia or agreed to them with other Virginians.

When debtors refused to pay and were sued for recovery of the debt, an exchange rate was set in 1 of 5 ways.

Taken together, those rates were shaped by a couple of hundred of people representing divergent interests--people we'll call a frontier market.

And that frontier market tracked The Market for monetary exchanges.

To put it another way: even in its very early years of settlement, the upper Valley of Virginia was well integrated into the larger colonial economies of Pennsylvania and Virginia...

And that integration included a diverse set of debtors.

Intriguingly, the frontier monetary exchange market was less risky than the overall colonial American monetary exchange market.

Why the frontier market contained less exchange rate risk is not yet clear, but the significance of that lower risk is apparent.

A torrent of credit poured from Britain to the North American colonies during and after the Seven Years' War. Thanks in part to their market record of acceptable risk, frontier settlers obtained a portion of that bountiful credit and expanded their territorial claims explosively.

The exchange rate data thus confirm that even in its earliest days, frontier commercialism was a function of the many ordinary farmers as well as the few gentlemen and storekeepers.