

One Nation or Thirteen?

How George Washington's Canal Company Paved the Way for the United States Constitution

By Brian Grinder & Dan Cooper

AFTER THE REVOLUTIONARY WAR, George Washington returned to his home at Mt. Vernon. His plans were simple — to return to the life of a gentleman farmer and entrepreneur, but his personal finances were in a dangerous state. Many times during the war, when the Continental Congress was short on cash, he had personally bankrolled his entire headquarters operation.

In his role as commander-in-chief, Washington felt compelled to accept government obligations as full payment for his considerable out of pocket expenses. He, like all other Revolutionary War veterans, usually sold these certificates to speculators at huge discounts from face value.¹ Even after the war, Washington continued to incur considerable personal expenses as he worked in the best interests of the fledgling nation.

Prior to the war, Washington sought and acquired western lands with great speculative zeal. Trained as a surveyor and endowed with an adventuresome nature, he searched for tracts of frontier land he felt would have great value, as settlement pushed westward from the eastern coastal areas. He now looked to rents from these land holdings as a means of helping him return Mt. Vernon to profitability. In 1784, as Washington examined the growing settlements around the forks of the Ohio river (now Pittsburgh), he saw great economic opportunity for the young nation.

Washington immediately realized that, once again, his own best interests and those of his country were inseparable. If it were possible to somehow connect the fertile regions of the Ohio River valley with a safe and economical form of mass transportation to the East Coast, then this region would become an important addition to the economy of the young nation. Of course, his real estate holdings in the region would also become far more valuable. However, he observed that immigrant settlers to this region could quite easily become reliant on the transportation systems offered by (and subsequently loyal to) the British in Canada or the French in Louisiana.

"The western settlers (I speak now from my own observation) stand as it were upon a pivot. The touch of a feather would turn them [politically] any way," Washington noted.²

Washington's plan was an ambitious one. He would improve the Potomac from headwaters to tidewaters. Where the river was barely navigable, the proposal called for widening and straightening the channel. Where it was not navigable, canals and locks would be constructed. And finally, roads would be built to connect the headwaters of the Potomac with the tributaries of the Ohio River.

So daunting was this project that when Washington later advertised in all the major newspapers throughout the 13 states for an engineer to oversee the 200–240 miles of waterworks, not a single person applied for the position.

Washington's canal plan was actually an extension of a plan he conceived before the Revolutionary War. He had received approval in the early 1770s from the Virginia legislature for the creation of a company that would raise capital through a stock issue. These funds would pay for work to improve the freight-worthiness of 150 miles of the Potomac and charge tolls for access to the improved portions of the river. This venture had failed to secure the necessary cooperation of the Maryland legislature, and the war intervened before Washington could overcome the opposition to his plans.

But Washington was not the only transportation visionary of this period. At the same time Washington was formulating his plans for the Potomac, entrepreneurs in New York were working on a similar plan to link their rivers and cities to the growing western trade via a route along the Mohawk and Hudson Rivers. This route would later come to be known as the Erie Canal. Thomas Jefferson, upon hearing of the New York plan, sent Washington a letter warning of the rival plan. Jefferson, anxious to encourage business interests in Virginia, told the former commander-in-chief that Washington's support for the project was absolutely essential. He also played on Washington's sense of posterity by suggesting "what a monument of your retirement it [the canal project] would be!"³

Washington threw his considerable energies behind the project, and with his still-growing national influence easily secured approval from the Virginia and Maryland legislatures. Washington's enthusiastic leadership of the canal project led James Madison to comment, "The earnestness with which he espouses the undertaking is hardly to be described, and shows that a mind like his, capable of great views

and which has long been occupied with them, cannot bear a vacancy.”⁴

The Potomac Company under Washington’s direction quickly sold almost double the required 250 shares to investors in the 13 states.⁵ That the canal project was able to attract sufficient domestic interest without any need of European capital amazed even Washington, who had once written to Lafayette:

If it should so happen that the subscriptions for opening the navigations of the rivers Potomac and James should not (from the want of money here) fill in the time required by the Acts, do you think that there are persons of your acquaintance in France who might incline to become adventurers in it? I give it as my *decided* opinion to you that *both* are practicable beyond all manner of doubt: and that men who can afford to lay a little while out of their money, are laying the foundation of the greatest returns of any speculation I know of in the world.⁶

James Rumsey, an inventor with no experience in canal building, was named chief engineer and construction began.

History has reserved little room for additional information about the Potomac Company, for the company’s plan and Washington’s vision were equally flawed. In the end, there proved to be too many obstacles along the river, and the construction was simply too difficult for the neophyte American canal-builders. The firm never paid a dividend in Washington’s lifetime and never completed the charted canal system.⁷

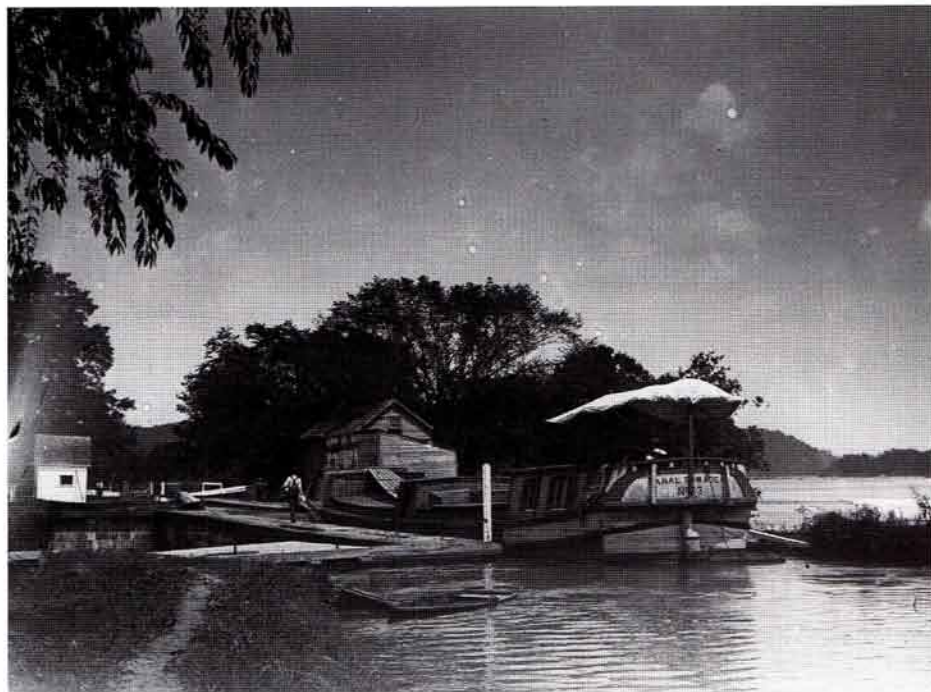
Ultimately, the lasting value of Washington’s grand canal scheme was to be the consequence of a series of meetings that began as a conference of delegates from Maryland and Virginia.

Since these two states bordered the Potomac River, a meeting was called to discuss the canal project, or more

specifically, the navigation of the shared tidewaters of the Potomac River. This conference has come to be called the Mt. Vernon Conference, and the crucial outcome of the conference was not about navigation rights, but rather the decision by the two states to meet annually “for keeping up harmony in the commercial relations between the two states.”⁸ When the Maryland legislature subsequently invited Pennsylvania and Delaware to the annual meeting with Virginia,

words) ‘naturally to grow out’ of the Mount Vernon Conference.”⁹

Rarely has entrepreneurial fervor had so lasting an impact on history while failing so miserably to meet its business objectives. While Washington’s vision of the Potomac as the trade center of the nation never materialized, the irony of how the Potomac region came to be the political center of the nation is perhaps even richer and would not have been lost on the wit of George Washington. The ultimate end, as per-



George Washington established the Potomac Company to improve the Potomac, as well as his finances, in the 1780s. Although his company never finished building the canal, the Chesapeake & Ohio Canal (pictured above) was eventually completed in the 1800s. In the end, the lasting value of the Potomac Company was not even related to navigation—it was the United States Constitution.

Virginia’s legislature responded by proposing a convention of all 13 states “to consider how far a uniform system in their commercial regulations may be necessary to their common interest and their permanent harmony.”

This convention came to be called the Annapolis Convention. In turn, from the Annapolis Convention was sent the call for a Constitutional Convention. “Thus, the historical sequence which dredged up the eventual solution to the question of one or thirteen [nations] seemed (in Madison’s

haps Washington intended it, of the ill-fated Potomac Company is the document that to this day serves as the blueprint for the American political system, the United States Constitution. ■

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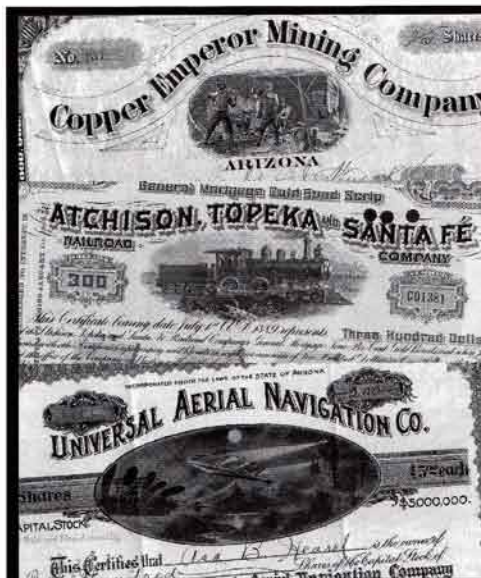
waver in his conviction that he was right. He thought the American Revolution was an outbreak, not of liberty, but of anarchy. He believed he was defending British liberty.

In *Liberty!*, I compare British liberty with American liberty. It is a pretty stark contrast. British liberty was largely rhetorical. In a population of 8 million, only 250,000 men could vote. The city of London, with a million people, had eight seats in Parliament, while the county of Cornwall, with barely 100,000 country bumpkins, had 44. Major cities, including Manchester and Birmingham, had no representatives at all.

American visitors were appalled by the corruption of British elections. John Dickinson of Pennsylvania, in London studying law in 1754, told his father that the Duke of Newcastle, the prime minister in that year's election, had spent more than £1,000,000 to keep himself in power. The opening bid for votes in one so-called pocket borough where there were only seven or eight voters, was 200 guineas. Voters were required to swear they had not been bribed. "Few people can...refrain from laughing while they take [the oath]," Dickinson wrote.

No one played this corruption game harder or better than George III. If he had won the war, both British liberty and American liberty might have vanished. Certainly American liberty would have been reduced to about the level of Irish liberty.

At first the Americans looked like pushovers to George III's war machine. They were split into 13 often quarrelsome colonies, with drastically different ideas about everything from religion to politics. By one of those mysterious spins of history's wheel, they found a man who gave them what they needed most: leadership. **FFH**



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Notes

1. See "Freighted for Speculation," *Financial History*, issue 60 for a discussion on the speculation of Revolutionary War debt.
2. Washington, George, *Writings*, edited by John C. Fitzpatrick, Volume XXVII pg. 475, Washington DC 1931.
3. Jefferson, Thomas, *Papers*, edited by Julian P. Boyd, Volume VII pg. 25-27, Princeton 1952.

4. Madison, James, *Writings*, edited by Gaillard Hunt, New York 1900.

5. According to Ritter (1931), the capital stock of the company was "fixed at five hundred shares to be sold on the basis of \$444 2/3 per share 403 shares were sold between Feb. 8 and May 10, 1785, with Washington himself purchasing more than 20 shares."

6. Washington, George, *Writings*, edited by John C. Fitzpatrick, Volume XXVIII, pg. 75, Washington DC.

7. The firm paid only one dividend of \$5 per share in its entire existence prior to being taken over in 1827 by the Chesapeake and Ohio Canal Company. A canal was eventually completed by the Chesapeake and Ohio Company between Fort Cumberland on the Ohio River system and the Great Falls on the Potomac River. However, the Potomac River route never challenged the much more successful New York route along the Erie Canal.

8. Washington, George, *Writings*, edited by John C. Fitzpatrick, Volume XXVII pg. 376, Washington DC 1931.

9. Flexner, James Thomas, *George Washington and the New Nation: (1783-1793)*, pg. 90, New York 1969.