

Era 4: Building a Nation, 1784-1824

<i>Entrepreneurship</i>	While Boston would always develop strong leaders, this generation’s innovators left an indelible mark on the region.	<i>The desire of Boston’s moneyed elites to increase their wealth and preserve their social status were driving forces of innovation in this era. The enterprises they created, however, proved long lasting, and set a precedent for future generations.</i>
<i>Local Funding</i>	Boston money propelled Boston innovations, first in the China Trade and banking, then in the textile industry.	
<i>Local Collaboration</i>	Close family and business ties, together with common goals, enabled collaboration among Boston’s innovators.	
<i>Local Demand</i>	While Boston products found larger national markets, innovators also responded to local needs.	
<i>Local Laws/Policy</i>	The heavily funded joint ventures of this era required a legal system that would first allow their formation and then protect their investors.	

The Federalist Era...much activity in the naval yards and port ... 1st China Trade... population soars ... Jefferson and later Madison Embargo push the new elite to new solutions... War of 1812 naval battles audible from the town ... manufacturing takes off...excavation begins on Beacon Hill ... Charles River Bridge opens ... Boston officially becomes a city with its first mayor ...several intellectual “societies” formed

Boston and the Nation Abuzz

In a newly independent nation there was good reason to be busy.

When the Revolutionary War officially ended on January 14, 1784, Americans faced an enormous challenge. They now needed to do for themselves all those things Britain had formerly done for them, and quickly. An era of nation building was at hand.

Boston in the nation and the world

In most parts of the 13 former colonies, roads were poor, making communication and travel slow and difficult. The nation lacked not only tangible sources of unity, like a single currency, but also intangible elements - what would it mean to be an American? Entanglements with foreign countries (France and Britain primarily, but also Algiers and Tripoli) led to naval battles and war. Meanwhile at home, leaders were establishing a judicial system, taking the country’s first census, and negotiating the always-difficult

issue of taxation. Boston merchants and leaders (Gov. Bowdoin) led the defense of the new established order against the rural poor veterans in Shay's Revolt. The revolt helped the new revolutionary elite to turn to a model for a stronger central government.

Like the nation as a whole, Boston was a bustling place. The city which had emptied during the war was now flooded with people. The U.S.S. Constitution was built in a North End shipyard. Charles Bullfinch's capitol building was constructed as the height of Beacon Hill was leveled to gain ground for a new neighborhood. New meetinghouses were established and the Boston *Daily Advertiser* began publishing. Boston's merchants, oriented as they were to commerce and industry, undertook their own projects to revive the city's financial well-being. Perhaps the ultimate entrepreneur was Frederick Tudor, an imperious man, who developed markets for iced drinks in Cuba, New Orleans, Rio and India, and developed a way of shipping frozen ice from Greater Boston ponds around the world, profitably, very profitably, and even built one of the first railroads to connect Fresh Pond to Tudor Wharf in Charlestown.

Era 4 Drivers

In establishing a new nation a group of leaders and *entrepreneurs* stepped up to guide the town. *Demand* for products and challenges presented by the British navy gave rise to new trade routes to China, South America, and the Mediterranean. In the town and state, the chartering of public infrastructure to private owners and the rise of the Boston textile industry marked a new epoch of government action and inaction. In order to perform these feats, interest from within Boston's community of leaders resulted in local networks of *collaboration* as well as availability of *local funding* to support infrastructure projects such as the Charles River Bridge, a technological breakthrough when it opened (1791). The new government and Constitution was organic in its ability to change and mold to the new conditions of the time. New *government laws and policies* gave greater freedoms to private business and worked towards establishing a unique American economy.

Innovation in this period is inextricably bound up with Bostonians' intense drive towards commercialization. Freed from colonial taxes and regulations but barred from lucrative ports of call in the West Indies, Boston merchants demonstrated remarkable leadership and a willingness to collaborate in rebuilding the city's economic infrastructure. They initiated new forms of commerce and industry, none of which could have succeeded as solo ventures. Trade with China, the first State-chartered bank, the Waltham-Lowell textile mills, the Suffolk System of bank note redemption, the Charles River Bridge...all were too expensive and complicated to be undertaken alone. Their close family and business ties were surely a factor, but Boston's leading merchants also shared a desire to increase their wealth and preserve their social status. To that end, they became adept at seeking out the information they needed to initiate their ventures and in using the State's legal system to their benefit. Perhaps most significantly, Bostonians of this era set a precedent for succeeding generations to follow. They managed to be simultaneously inward-looking, in garnering their peers' technical and financial support, yet also

outward-looking in crafting their ventures to respond to larger national and international demands.

Driving Boston Innovation in the New Nation

Any new nation needs to establish the mechanisms for commerce, trade and the production of goods. A few specific factors allowed Bostonians to succeed in meeting these challenges.

Entrepreneurship

This era's innovations are marked by the presence of local leaders – both those we remember and those we do not. They include men like Francis Cabot Lowell, Nathan Appleton, and Patrick Tracy Jackson who founded and managed several **textile manufacturing** companies, John Hancock and other investors in the **Charles River Bridge Company**, and William Sturgis, Ben Forbes, and Thomas Handasyd Perkins, both successful sailors and merchants who plied the **trade with China**. Lesser-known men too demonstrated exceptional leadership, like the founders of the **Massachusetts Bank** and the two directors of the Suffolk Bank who proposed what came to be called the **Suffolk System**.

Local Funding

Bostonians in this period demonstrated a strong desire to reinvest and preserve their capital in local enterprises. Bostonians preferred to form their own **Massachusetts Bank** rather than place their money in the Bank of North America in Philadelphia. They used the money they made in the **China Trade** to develop the **Waltham-Lowell System**, which earned them even greater wealth, and funded the **Charles River Bridge Company**. And their desire to safeguard their fortunes for future generations motivated them to develop the legal mechanism of the **Trust**.

Local Collaboration

Boston's wealthy elites demonstrated a capacity for collaboration that can be seen in each of the innovations of this era. A small group of businessmen pooled their capital to start the **Massachusetts Bank**, as did others in founding a textile-manufacturing corporation with an innovative form of production (known later by its two cities of origin as the **Waltham-Lowell System**). Familial and personal relations were the norm between many of the merchants and seamen leading the **China Trade**. The **Suffolk System** succeeded only because several banks were willing to work together to enforce common rules. Bostonians established the nation's first **Trusts** to prevent the disintegration of their large fortunes over future generations, and to promote their ability to pool that wealth. In so doing, they exhibited a high degree of unity, allowing them more success than richer fellows in Philadelphia and New York.

Local Demand and Local Laws/Policies

The large number of merchants, counting houses, ports and craftsmen in Boston, together with a shortage of hard currency and credit mechanisms after independence, resulted in a pent-up demand for capital. In response, six Boston merchants founded the

Massachusetts Bank to provide a means for currency exchange and for the pooling of resources to fund business ventures. Building on an already busy local port with extensive shipbuilding and seafaring knowledge, Bostonians were well-prepared to capitalize on intense local and national desire for the goods of **China**. These and other innovations of the era would not have been possible without the support and protection of State laws. Charters granted to the **Massachusetts Bank** and the **textile manufacturing** companies were important to help secure investors' confidence, and thus the capital they needed. So too with the first **Trusts**. Bostonians worked with influential jurists like Joseph Story to secure the legal enforcement of their trusts, and to create the first corporation charged with fiduciary powers over family fortunes. And, the **Charles River Bridge Company** was the first company to successfully obtain its type of charter, an award that marked a new era of cooperation between government and private business.

A Solid Foundation to Build On

Bostonians of the post-Revolutionary generation left to their predecessors' great fortunes, successful industries and a city with a sound financial infrastructure. But they also put in place a tradition of collaboration, leadership, and civic-mindedness that would carry on throughout Boston's four centuries of innovation.

The Northwest China Trade: 1790 – 1840s

A lucrative trading route between Boston, the Pacific Northwest coast and Canton, China over which Boston merchants maintained a near monopoly.

In 1790, the sailing ship *Columbia* arrived back in Boston after a three-year journey to Canton, China, by way of the Pacific Northwest coast. There, Boston's firearms, metals, textiles, foodstuffs and trinkets were traded with Native Americans for sea otter skins, thus solving "the riddle of the China Trade" as Samuel Eliot Morison put it, "to find something salable in Canton."

Americans exhibited a strong *demand* for China's tea, silks and porcelains, goods they had obtained as colonists from British merchants. But while other nations arrived at Canton with silver, European coin and opium, American traders had virtually nothing to offer the Chinese except ginseng, harvested in upstate New York, and that in only small quantities. Even before the *Columbia's* return, Boston merchants had learned of her successful new trade route and begun making preparations to send their own ships to the Northwest coast. Three left within a year – including the *Columbia*, which turned around almost immediately upon her return for a second trip.

Although trade with China was conducted throughout the Eastern seaboard, the **Northwest China Trade** was virtually exclusive to Boston. Strong *local leaders* propelled the trade. As William Sturgis, a successful captain and merchant, explained, "It was attempted, unsuccessfully, from Philadelphia and New York, and from Providence and Bristol...even the intelligent and enterprising merchants of Salem, failed of success." So dominant, in fact, were Boston merchants and ships, that the Native Americans of the Northwest coast called all Americans "Boston men" or "Bostonians."

Boston's success in the Northwest China Trade came as a result of a unique blend of both *collaboration* and *competition*. Family ties created close bonds among merchants, captains and crew, while intense competition between merchant houses fueled the speed with which they outfitted their ships. Underlying both were the city's intellectual and financial capital – extensive seafaring experience and the willingness to devote *local funding* to the ventures.

The Waltham-Lowell System: 1813 – 1830s

A system of textile production that differed from its predecessors in scale, process, labor supply, and ownership.

When Francis Cabot Lowell and Nathan Appleton formed the Boston Manufacturing Company in 1813, Boston was New England's commercial center. Wealthy merchants, tradesmen, and laborers all coexisted within a relatively fluid social structure. Flush with cash from their successful trading ventures, Lowell, Appleton and several other leading merchants invested together in a textile mill in Waltham, Massachusetts.

This mill was unique in several important respects. Where most textile mills in the U.S. were small affairs with one or two owners, this mill was heavily capitalized with *local funding* from wealthy, interrelated Boston families. Their *collaboration* was enabled not only by their familial relationships but also by *local laws*, which allowed businesses to incorporate, thus providing their investors with an increased expectation of the venture's security and permanence.

The Waltham mill was innovative in other ways, too. It introduced a new system of textile production in which two formerly separate processes of spinning yarn and weaving cloth were combined under the same roof. And the laborers were almost entirely young women, in whose activities the mills owners and managers took a paternalistic interest.

These Waltham innovations were quickly replicated in the mills of Lowell and Lawrence, where they're needs spawned further innovation in waterpower and textile technologies. The mills of the Waltham-Lowell system brought their investors enormous profits and brought about an economic boom in Boston and New England. Appleton, now very wealthy, gave his son-in-law, Henry Wadsworth Longfellow, the old Vassal mansion in Cambridge with his newfound wealth. The wealth created spilled over into related industries and was used to fund many of Boston's cultural institutions.

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The Boston History & Innovation Collaborative
650 Beacon St. Suite 403
Boston, MA 02215

617.350.0358
www.bostonhistorycollaborative.org