

# **Of the Economic and Political Motives of the *American Constitution vs. the Articles of Confederation***

## **Introduction**

The Constitution of the United States of America is often revered and thought of as the basis for all democracies around the world. However, when it is used as an example of the perfect democracy, the facts and history behind its creation are often left out. While it is a fascinating document, it is not the pinnacle of perfection that we often hold it up to be. It had a stumbling start, full of problems and arguments, instead of the Immaculate Conception that is often described. Its beginnings were much humbler, and they started with the Articles of Confederation.

It is somewhat strange that the American people know so little of the fundamental nature of their system of government. Their acquaintance with it extends only to its outward form and rarely includes a knowledge of the political philosophy upon which it rests. The sources of information upon which the average man relies do not furnish the data for a correct understanding of the Constitution. (Smith, Allen, 1965: 30)

What I propose to show is that the Constitution of the United States is not necessarily the best form of government for the United States, but that a reworking of the Articles of Confederation would have been sufficient. The motives I would like to call into question are those of the Framers of the Constitution, but also those of the Framers of the Articles of Confederation. The Articles of Confederation are often historically overlooked, but they play a major role in the creation of the Constitution. By examining the creation of the Articles of Confederation and its demise, I hope to shed some light on why the Constitution was created and why it was almost defeated by the Anti-Federalists. What was the motivation of the Founding Fathers and their opponents to fight for or against the Constitution? While there were obvious flaws in the Articles of Confederation, did they need to be completely thrown out, or could they have been modified?

Of course, the writings of Adam Smith must not be forgotten. What were the bases of Smith's perfect government? Would Smith have sided with the Articles of Confederation, the Constitution, or something completely different? While Smith does have much to say about just about everything, does he have something specific to say? His views on government are geared more towards a monarchy, but some of his ideas are not necessarily monarchical in nature. He disagrees with the English system of the time, but does this mean that he has his own solution, or just basic guidelines?

## ***The Creation of the Articles of Confederation***

### **History**

The Articles of Confederation have long been viewed as having been a failure, a trifling effort at self-government that needed to be thrown out and replaced by the Constitution in 1787. While we now side with the Framers of the Constitution instead of its opponents, it is important to remember an old proverb: To the winner goes the spoils. So before we enter into a description of what transpired during the writing of the Articles of Confederation it is equally important to be sure not to prejudge what we believe the Articles were before learning about them.

To approach the Articles of Confederation from the point of view of the difficulties and tribulations that followed the Revolution, real as they were, is to miss largely their true significance. Logically they can be approached only from the point of view of the social-political turmoil out of which came the Revolution and the independence of the colonies.(Jensen, 1940: 6)

The Articles of Confederation were not an instantaneous creation. It went through multiple drafts, and took many heated arguments to be finally created. The beginnings of the Articles of Confederation began to take shape on June 7, 1776, when Richard Henry Lee moved that “a plan of confederation be prepared and transmitted to the respective Colonies for their consideration and approbation,” as the second part of his motion that “these United Colonies are, and of right ought to be, free and independent States” (Jensen, 1940: 249). Its creation was rushed to some degree, by the fact that a government was needed during and immediately after the Revolutionary War. It went through two major stages of development.

### **The Articles of Confederation**

On July 12, 1776, John Dickinson presented the first draft of the Articles of Confederation for review, debate, and revision. (Jensen, 1940: 126) While this draft was immediately judged to be inadequate to the needs of the nation and heavily and bitterly debated, it did embody more of the concepts shown in the later Constitution of 1787.

To summarize, let us look at some of the interesting differences between this and documents that it preceded. Each colony could impose its own tariffs and duties on other nations (and colonies), no colony shall have any sort of standing army in times of peace, but may have a militia. This, incidentally, goes against what Smith believes is the best form of defense, as explained further along. The government will pay for all expenses of war, coming from a common treasury. The United States can coin money, punish crimes on the high seas, establish weights and measures, and provide arms and supplies in case of times of war. However, the government of the United States can charge no taxes or duties upon the states. This clause is the downfall, in my opinion, of the Articles of Confederation. By only paying for war debts by the contributions of states and with no way to collect such sums, the federal government has no way to pay for its courts that decide on piracy, to pay for arms for the common defense, or virtually anything else. Also, an issue that was never resolved in any form until the Civil War is slavery. There is no mention of what powers slaves have in the United States, nor whether or not slaves

will be allowed to be imported. The other major issue of contention was representation. Elected officials should be elected as the state sees fit (no legislation on how they should be chosen by a state) and may serve for one year, not exceeding three. Article XVII states that each colony shall have one vote. (Jensen, 1940: 258) This poses a major problem to larger states who believed that they should have a greater say in the affairs of the nation

The Articles of Confederation of November 15, 1777 have a few differences. It gets rid of the tariffs that could be imposed between states, which was very important according to the rules of free trade. While Smith does not like trade agreements that abolish tariffs within a trade zone, I believe that it is important, especially when both states are trying to collude. It makes the Congress the arbiter of disputes between states, and has very detailed progressions of what to do to settle disputes, who will be the judges, etc. It goes on to describe how an Army is to be mobilized and paid for, using requisitions but still having the Federal government pay for the armed forces. (Jensen, 1940: 263-270) However, it still does not take into consideration the issue of slavery and does not adequately address the issue of payment to the Federal government. Had these issues been better dealt with, the Constitution might not have been necessary and states' rights might be more powerful than they are today.

## **Economic Situation During the Creation of the Articles of Confederation**

During the period of the Revolutionary War, many factors played a part in the events that transpired. To look at some of these factors, we must question why a group of fairly decentralized colonists inland and a few wealthy colonists along the coast who were all treated better than most other British colonies in the world decided to go to war for their independence.

During the period when the British were in control of the colonies of the Americas, government was centered in towns and along the coastline. Positions were held by an aristocratic upper class who managed, with the help and encouragement of the British government, to control more than their share of power. When the land-owning farmers or other rural groups attempted to gain power during and after the Revolutionary War, the upper classes attempted to maintain their control by obtaining more votes than they proportionally should have.

When the concept of revolution came around, there were those on both sides who were either for or against revolution, and usually not for the reasons that are usually attributed. "It is certain that a large proportion, probably not less than one-third of the total population of the colonies, did not approve of the war." (Smith, 1965: 15) This figure, while astonishing, does not mean necessarily that they did not act in support of the war for their own economic or political interests. Since opposing taxes imposed by the British was a way to keep from paying them, some went with the radicals who were advocates of a completely free America.

Americans who were opposed were opposed for a few reasons. They may have just been betting on the fact that since Great Britain had one of the most powerful armed forces in the world and one of the largest navies in the world that it would be able to quell any violent outbreak. Most of these supporters were wealthy gentlemen who had much to lose

if they chose the wrong side. Still others, who were politically neutral or even quietly siding with the radicals, were afraid of any sort of political or military disturbance that could jeopardize their assets and their businesses. Some of these people were also working for the English government, a position that would almost certainly mean their forced abdication from their jobs. (Smith, 1965: 14-15)

Americans who supported the movement for independence were mainly interested in economic benefits as well. The farmers, who were either in debt to the speculators they had bought their land from or in debt to their nearby towns for their startup capital, found that through legislation they could ameliorate their situation. Southern farmers were in the same situation, but had an added worry: slaves. The idea of having a federal government that could bring in federal forces if a slave revolt developed into something that the local militias could not handle was a comfort to them (Beard, 1936: 27-30). While I do not mean to tell you that only economics and the pursuit of wealth were the factors in the creation of the United States, they did play a major part. Most people had something to gain from independence, and the radical independence movement was a unified force that had no unified opposition within the United States. Whatever opposition there was either saw that they would be unable to defeat such an opponent politically or militarily or decided that independence could either immediately or eventually help them in some way.

## ***The Abolition of the Articles of Confederation***

### **Issues That Were Not Resolved by the Articles of Confederation**

The issues that were still unresolved after the ratification of the Articles of Confederation were mainly those concerning checks and balances. As a nation we had founded ourselves upon the notion of a group of small colonies, the states, who would work together as basically sovereign units that could work separately or together, as they deemed was best for their inhabitants, to create prosperity. It was this concept that spawned the Articles of Confederation, but it was not adequate.

By not providing a central executive branch and relying on the Continental Congress for almost unopposed leadership, it was more like the British system of government that had been modified to fit the new colonies.

Much that was thoroughly undemocratic remained intact. The property qualifications for the suffrage were not disturbed by the Revolutionary movement and were finally abolished only after the lapse of nearly half a century. The cruel and barbarous system of imprisonment for debt which the colonies had inherited from England...continued in several of the states until long after the Revolution (Smith, 1965: 26).

While the Articles of Confederation were radical for their time, they were not as far-reaching as they needed to be and not centralized enough to deal with the problems of taxation and defense. As states levied taxes against one another and created trade barriers between each other, the federal government stood by, powerless to enforce its decisions

and unable to fund even itself. The national debt was huge, and there was little or no way to fund it.

If we leave out of account the foreign debt, it appears that some \$60,000,000 worth of potential paper lay in the hands of American citizens in the spring of 1787...Many holders regarded continental paper as worthless, as it might have been had the formation of the Constitution been indefinitely delayed (Beard, 1936: 34).

The fact that an enormous public debt was being incurred both at home and abroad, along with the lack of taxation, cut the power of the federal government to almost nothing. However, having a centralized system was not necessarily the only answer. By providing some sort of power to the federal government, states would still be able to govern themselves to a large degree. While some of the freedoms given to the states by the Articles of Confederation were unrealistic in maintaining a cohesive national unit, others could very easily have been maintained. By keeping governments smaller, the United States might be much more like Montesquieu's ideal Republican government, and the people might be more involved in their local government and its actions affecting them and others. As it stands today, I see a nation that is much less involved with its Federal Government's policies.

## **Solutions**

The solutions are fairly obvious, although their actual application may prove to be more complex. Either rework the Articles of Confederation again or replace them with a new form of government. However, the interests of the nation may not have been represented truly by its representatives.

Those who were charged with drawing up and ratifying the Constitution were not necessarily thinking of all the inhabitants of their states. But is representation of everyone truly possible? The reworking of the Articles of Confederation would have meant more of a role for the federal government, but it would not need to make the drastic changes that the Constitution makes. By making the Federal Government's rulings supersede the States' rulings, the States lose their freedom of individual rule. As it stands now, the Federal government can use its ability to tax directly to withhold funding from States to coerce them into agreeing to Federal rulings like speed limits nationwide. Montana's refusal to agree to these rulings shows that perhaps we should rethink our position regarding States' rights.

## **Adam Smith's Perfect Form of Government**

While Adam Smith's main thrust throughout *The Wealth of Nations* is the economics of a nation and its people, I would like to look at what Smith would think of as a perfect form of government to give us a base of reference in regards to both the Articles of Confederation and the Constitution.

As shown in Book IV, Chapter VIII of *The Wealth of Nations*, Smith is not a champion of the mercantile system, stating that it does not bring in the kind of wealth that a nation wants, the wealth of trade. While it does bring in raw goods, it does not promote the free trade of manufacturing tools and of manufactured goods that will develop new and better

technologies. When a nation such as Great Britain tries to control all the imports that come into its borders and keep itself self-sufficient, it loses out on the benefits of competition. If duties are placed upon all exported goods that could be used abroad, manufacturers do not try to improve their production methods because they cannot make a profit on the surplus that they make.

Smith also does not support a system based solely upon agriculture as a viable form of economic subsistence. For an ideal government according to Smith to work properly, it must take care of a few simple things.

Firstly, a nation must take care of its own defense. While trade does make nations interdependent, it does not necessarily make them peaceful towards one another. “The first duty of the sovereign, that of protecting the society from the violence and invasion of other independent societies, can be performed only by means of a military force” (Smith, 1981: 689). He goes on to state that if the inhabitants of a nation like America or Great Britain are in a state of war, they must create a standing army. Nations without standing armies are hunting and herding nations, which have no notable capability for industry. If a nation is to defend itself, it must create a standing army of trained soldiers, not a militia (because since they are in an industrialized society they would have no time to practice their martial training, unlike shepherds or hunters, who do not need to use all of their concentration to do their jobs).

The judicial system that Smith proposes should have a sovereign who is above his people both by birth and by wealth. By birth, he should have an ancestral lineage that his people respect and have followed, and by wealth that has come from his ancestors and from him, showing his intellect. (Smith, 1981: 714) This can earn revenue by the settling of disputes and by being paid remuneration for damages caused.

Smith refers to the public works and institutions that must be maintained by the government because of the impossibility of having one group of citizens do it themselves. This includes schooling, transportation infrastructure, and waste removal. However, he does also state that these services must be provided locally.

Even those public works which are of such a nature that they cannot afford any revenue for maintaining themselves, but of which the conveniency is nearly confined to some particular place or district, are always better maintained by a local or provincial revenue, under the management of a local and provincial administration, than by the general revenue of the state, of which the executive power must always have a management. Were the streets of London to be lighted and paved at the expence of the treasury, is there any probability that they would be so well lighted and paved as they are at present, or even at so small an expence? The expence, besides, instead of being raised by a local tax upon the inhabitants of each particular street, parish, or district in London, would, in this case, be defrayed out of the general revenue of the state, and would consequently be raised by a tax upon all the inhabitants of the kingdom, of whom the greater part derive no sort of benefit from the lighting and paving of the streets of London. (Smith, 1981: 731)

This paragraph from Smith shows not only some of the services that need to be provided by the government, but also shows Smith’s opinion on how government should be

structured. By keeping the government decentralized and fairly autonomous, whatever services that are provided to individuals are what they pay for, and nothing more. By allowing States to take care of their individual needs without the centralized control of the Federal Government, the people are better served and will get cheaper, better services and justice. Therefore, I find that Smith's ideal form of government would have centralized defense, but everything else would basically be taken care of locally in more of a Lockean system.

## ***The Creation of the Constitution***

### **Differences Between the Articles and the Constitution**

The fundamental difference between the Articles of Confederation and the Constitution of 1787 lies in the apportionment of power between the states and the central government. In the first the balance of power was given to the states, and in the second to the central government. The first constitution was one of a federal organization; the second was in essence that of a national government, although political realities demanded the retention of federal features. (Jensen, 1940: 109)

The Constitution was created as a reaction to a reaction. It was created to correct the errors of laxity in the Articles of Confederation. As shown by the abolition of the Articles of Confederation, the Continental Congress of 1787 was convened to create a new form of government for the United States.

The great fault of the existing Confederacy is its inactivity. It has never been a complaint against Congress that they have governed overmuch. The complaint has been that they governed too little. (Bourgin, 1989: 37)

But the Constitution was not perfect for anyone. The Federalists viewed it as too lax and the Anti-Federalists viewed it as too strict. It was a compromise, but not an equal one. The powers given to the Federal Government surpassed what was needed to form a functional system of government.

### **The Federalists**

The Federalists were the party that believed in creating a strong centralized government to rule over the States. They believed that the system that the Articles of Confederation were wholly unsatisfactory and that a new system was the only real answer. One of the most noteworthy Federalists was Alexander Hamilton. Let us concentrate on his views and on how they were able to influence the course of our government's creation.

Alexander Hamilton was the secretary of the treasury for five years under Washington. In this time he managed to influence the government's policies regarding government spending, coinage, banking, and industrial development. "Hamilton was indeed frequently charged with trying to maintain a perpetual debt on the shoulders of the people for the special benefit of a select class of creditors." (Bourgin, 1989: 74) He believed that a national debt was healthy for the economy. He wanted to establish a National Bank that

would deal with the issues of creating a uniform system of coinage to work with the National Mint. He wanted to promote industrial development above all, which went against the majority of the Anti-Federalists, who were mostly agrarian workers. While those policies put into effect helped boost the economy to some degree and his proposed policies might have helped even more, he was still trying to promote the economic control of the nation by its elite. This is not what I would consider to be a democracy, since the people are not represented well by only its upper echelons.

## **The Anti-Federalists**

The Anti-Federalists have been given a bad name throughout history for losing the battle. They were against having a national Constitution, and were in defense of having a confederation of states. They believed in keeping the governing bodies small and decentralized. They believed that a centralized government that had so many people to govern would be out of touch with the people it represented.

Their second main argument was against centralized taxation. They believed that to give the central government the power to tax was to give it the power of the purse, and that, they argued, meant to give it an independence of the people that was thoroughly dangerous. (Kenyon, 1966: xlii).

While this may have been true, it was still very difficult for the federal government to get its funding without direct taxation.

Their third main argument was against Article I, Section VIII of the Constitution: “to make all Laws which shall be necessary and proper for carrying in to Execution the foregoing powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.” (Kenyon, 1966: xliii). This clause, which gives an incredible amount of leeway to the Federal government to act as it sees fit, greatly jeopardized the will of the states to act as they saw fit. It also took much of the clout out of the statement that whatever was not expressly written into the Constitution was the domain of the States and they would rule on it.

Their fourth point of contention was Article VI:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every States shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

This clause clearly put the state in a subordinate position to the Federal government, and made all Federal rulings override the state rulings on issues. Previously, Federal courts had ruled only on issues of high seas or river crimes. However, this clause allowed the Federal government to make rulings on issues that concerned states exclusively.

## **Why the Constitution was Ratified**

Ratification was not nearly as universally accepted as it is often portrayed. It too was fraught with issues that threatened to destroy the Constitution and return to the Articles of

Confederation. The Federalists strategically inserted a clause into the Constitution, Article VII, which stated that only nine states were needed to ratify the Constitution. But this does not give the Anti-Federalists the opportunity that it would seem to give. While the Federalists needed the support of nine states, they already had made their plans to take care of most of their supporters.

“Even a superficial view would seem to indicate, what thorough study confirms, that five states were hopelessly unequipped to cope with their problems alone: Delaware, New Jersey, Connecticut, Georgia, and Maryland. These states could be counted on to ratify quickly and with little opposition. Of the remaining eight states, ratificationists had to win only four, their opponents five.” (McDonald, 1958: 114-115)

The Federalists were able to win over more than enough of the states to ratify the Constitution, based mainly upon the economic backgrounds of the respective states. But again, I must reiterate that there is never only one factor that is the cause or solution to a problem. While the states were still either economically weak from the Revolutionary War or weak to begin with, their willingness to die and kill for independence cannot be purely a monetary motivation.

## **Conclusion**

The Constitution of 1787 was a creation of the upper echelons of American society. It was designed not only to correct the imperfections of previous systems of government, but also to keep power in the hands of the upper classes. The aims of the American Revolution, contrary to popular belief, were not to promote democracy, but to create a system of government that would allow the upper classes to maintain their control of legislation.

The Articles of Confederation, as we have seen, were not a perfect solution to the problem of creating a new kind of government that gave the power to the people, but it did have more power given to the masses than does the Constitution. The Constitution does not disperse its authority to the states, bringing the power closer to those it serves, but it does help to make sure that issues of national importance are resolved.

While neither system is perfect, I would like to speculate that the Constitution does its job, but the Articles of Confederation would have done an equally good job had they simply been modified to serve the interests of the nation a little more than just the interests of the States. Smith might side more with the Constitution because it promotes more free trade between the States, but it also does not allow for flexibility within the nation. Being agile in a market economy is important, but the

United States is too large and too diverse a nation to be able to act as one as quickly as if it were able to adjust its parts more loosely. I find that the Articles of Confederation were more along the lines of a democracy of, by, and for the people than the Constitution is. The more centralized the power is, the less the people have control over its actions.

## Bibliography

Beard, Charles. Economic Interpretation of the Constitution of the United States. New York: the MacMillan Company, 1936.

Bourgin, Frank. The Great Challenge: The Myth of Laissez-Faire in the Early Republic. New York: George Braziller, 1989.

Campbell, R.H. and A.S. Skinner, eds. An Inquiry into the Nature and Causes of the Wealth of Nations. Glasgow edition of the works and correspondence of Adam Smith. Indianapolis: Liberty Classics, 1981.

Jensen, Merrill. Articles of Confederation: An Interpretation of the Social-Constitutional History of the American Revolution, 1774-1781. University of Wisconsin: University of Wisconsin Press, 1940.

Kenyon, Cecelia. The Antifederalists. New York: Bobbs-Merrill Co. Inc., 1966.

McDonald, Forrest. We the People: The Economic Origins of the Constitution. Chicago: University of Chicago Press, 1958.

Smith, J. Allen. The Spirit of American Government. Cambridge, Mass.: Belknap Press of Harvard University Press, 1965.