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The Carpenter and the Crocodile

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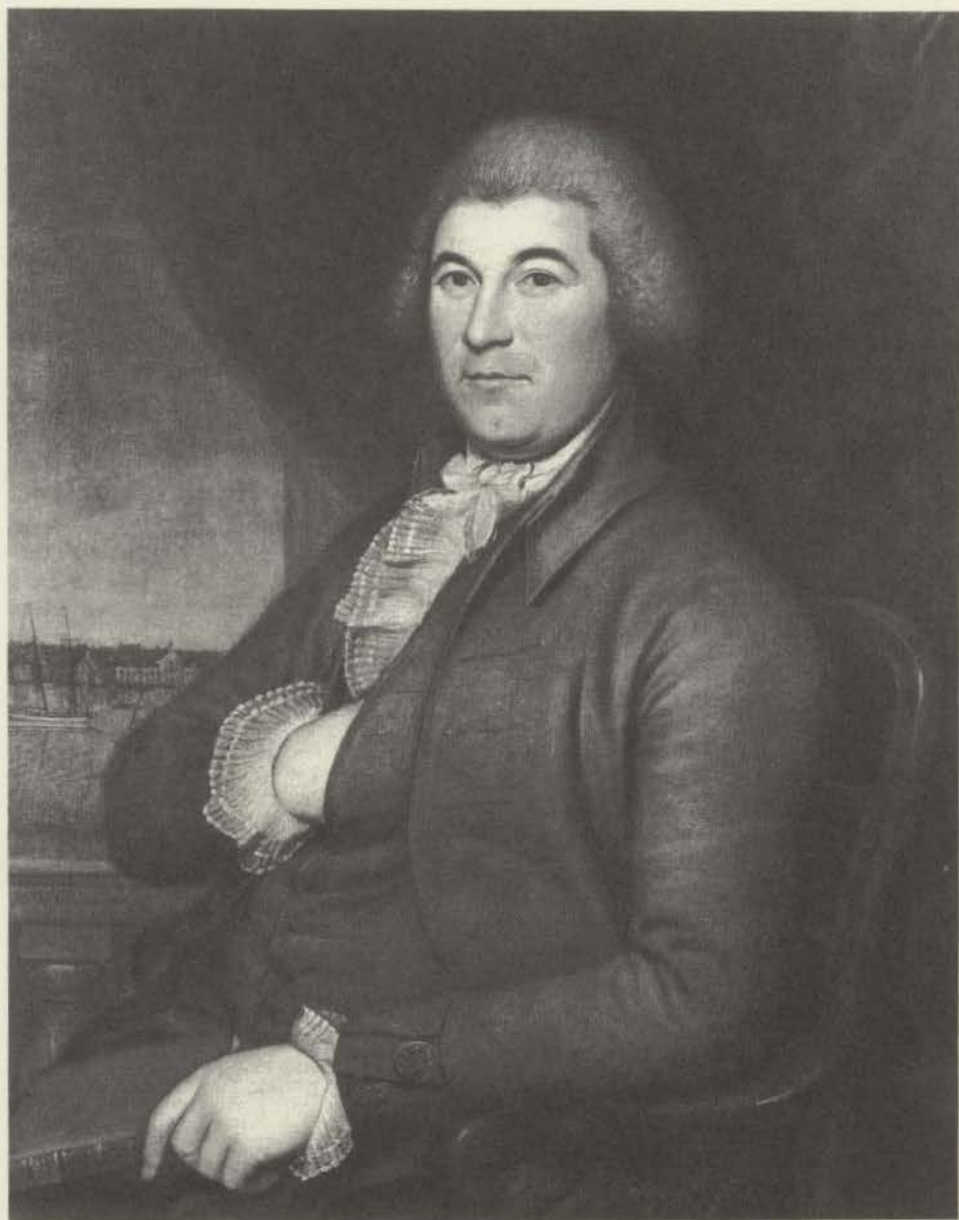
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The Crocodile: Christopher Hughes grew rich when the paper money system failed and the value of his gold and silver escalated. Oil on canvas by Charles Willson Peale, 1788. (Maryland Historical Society.)

The Carpenter and The Crocodile

GARRETT POWER

Pre-revolutionary Baltimore Town grew rapidly in commerce and population. Its harbor on the Chesapeake Bay served a larger trading area than any other American seaport. As production of wheat and iron ore increased, Baltimore, with its mills and furnaces, became a center of export, import, manufacture, and exchange. A cluster of twenty-five houses in 1750 became a village of three thousand in 1770, and a town of six thousand in 1776. Artisans, mechanics, and merchants, and their families swelled the population.¹

Two young fortune seekers were among the newcomers in the 1770s. Twenty-eight-year-old Leonard Harbaugh was a "sturdy carpenter" eager to find work. And silversmith Christopher Hughes, age twenty-six, arrived from Ireland on the lookout for trade. Both prospered.²

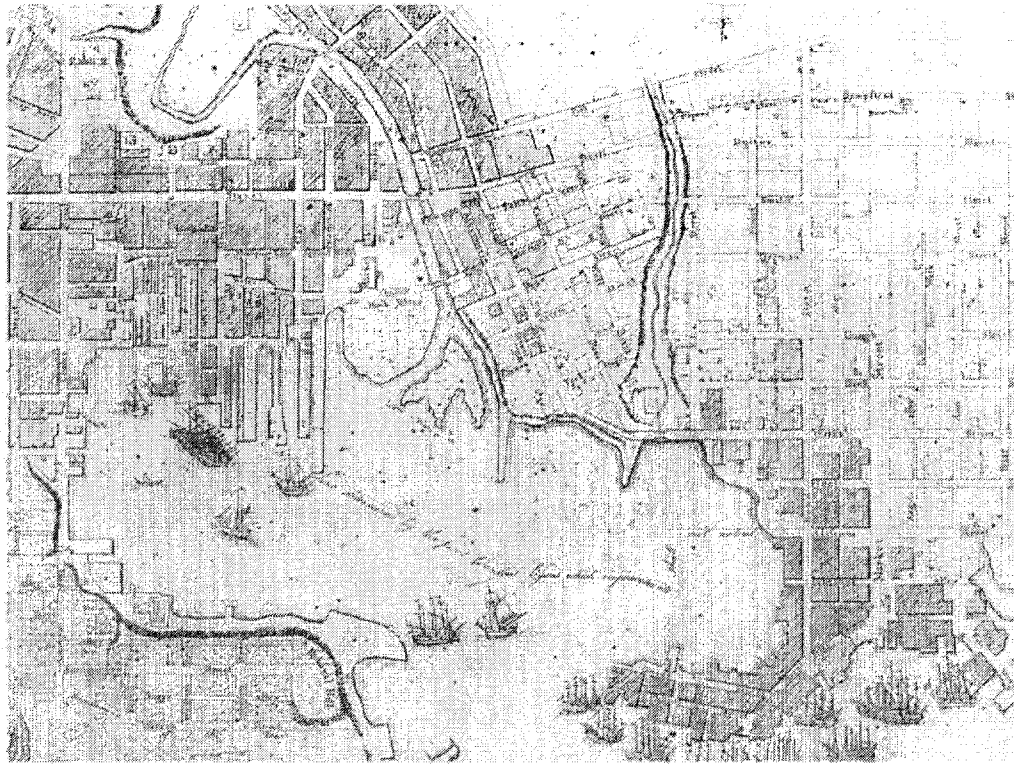
Leonard Harbaugh supported his growing family by "having done buildings to more than the amount of one hundred thousand pounds." Among his first customers was Christopher Hughes for whom he built a house on Gay Street.³

Hughes opened a shop nearby at the "sign of the Cup and Crown" on the corner of Market and Gay Streets. There he manufactured, bought, and sold "plate and jewellery." He dealt in gold and silver.⁴

Money in colonial Maryland was in short supply. Due to the deficit in the trade balance, pounds sterling inevitably ended up back in England. Parliament had forbidden the colonies to issue legal tender of their own. The paper bills of credit issued by the colony only served in discharge of obligations when the parties expressly so agreed. The Spanish dollar (382.85 grains of silver) and smaller silver coins were accepted as standard money, but they were scarce. This left gold and silver in great demand as a medium of exchange. Hughes's dealings in specie proved a profitable sideline. He became a banker as well as an artisan.⁵

The American Revolution brought about a boom in Baltimore's economy. When British sea power cut off American trade, Baltimore's merchants immediately benefited—they were now excused from debts owed to English creditors. Colonel Samuel Smith and others became rich by capturing English merchant ships as prizes and by running the blockade to sell wheat and flour at wartime prices to Spanish forces in the West Indies.⁶

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Detail from Plan of the Town of Baltimore and its Environs by A. P. Folie, 1792. (Maryland Historical Society.)

Independence created monetary havoc, however. English pounds sterling were no longer to be had through ordinary exchange, and the colonies had no credit abroad. Gold and silver were in short supply at a time when the Continental Congress was calling upon all the confederated states to pay their share of the cost of waging war. Maryland and the other states had little choice but to print paper money.⁷

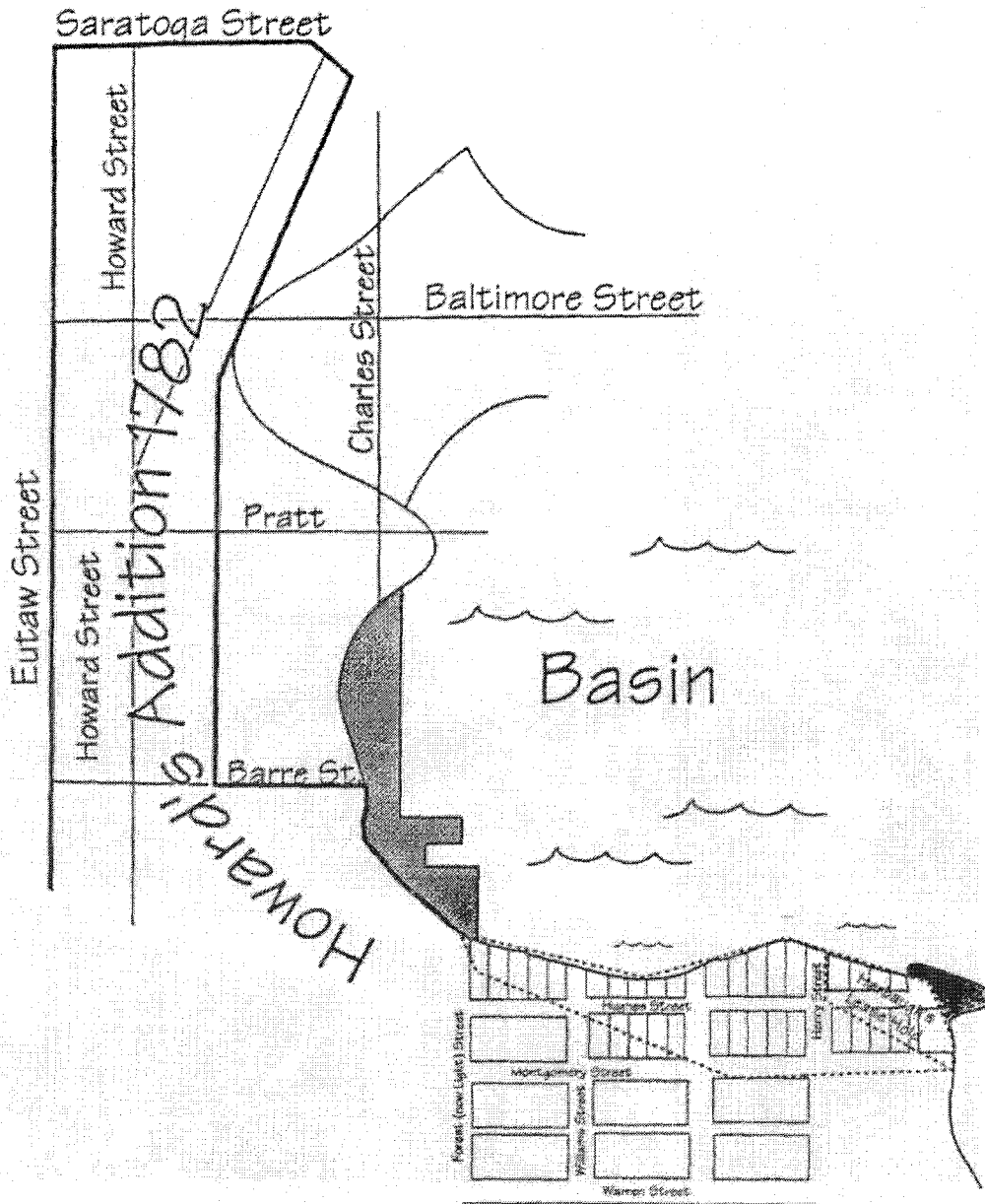
The colonial experience with paper money had not been a positive one. The colonies had failed abysmally in efforts to sustain its value. Colonial currencies issued according to the English reckoning in pounds, shillings, and pence rapidly depreciated in real exchange value to as little as 10 percent of their par value against the English pound sterling. Nevertheless, the states tried again, with trepidation.⁸

When creating new paper money, Maryland (and the other confederated states) had three problems to face: first, how to denominate the currency; second, how to fix its par value; and third, how to make that value stand up in the marketplace. A resolution of the Continental Congress in 1775 specified that the old English monetary units system should be abandoned in favor of a paper dollar equivalent in value to "Spanish milled dollars or the value thereof in



The Carpenter: Leonard Harbaugh, Baltimore builder in the years following the Revolution, became a bitter adversary of Christopher Hughes. (Antiques Magazine.)

gold and silver." The units of the coinage system remained unspecified. The states were to issue paper money and, after contributing a share to the Congress for prosecution of the war, circulate the remainder in their domestic economies. This answered the first two questions but left each state to its own devices in securing the value of its bills.⁹ Maryland's General Assembly took two steps to back up its paper dollars. First it passed a law that made the new Maryland dollars legal tender for all debts and contracts, past as well as future.



Baltimore waterfront west and south of the Basin in 1783. Adapted from Plats of John Eager Howard's Addition in the Maryland State Archives. (Baltimore County Plats, C 2043, MdHR 19958-17, B5/9/27 and C 2043, MdHR 19958-30, B5/9/2.)

Then it legally rated its dollar as equivalent to 7 shillings and 6 pence (90 pence). Anyone who offered goods at a discount if paid for in gold and silver, was subject to a fine. In essence the legislature decreed the dollar's value.¹⁰

The laws proved powerless to stop the devaluation of paper money in the marketplace. Traders distrusted the dollar's true worth. State efforts to restore confidence in its currency by guaranteeing its redemption in gold or silver failed.

When the English trustees refused to honor a draw upon an account of £34,000 pounds which Maryland had deposited in the Bank of England before the war, the state had no hard currency with which to acquire the necessary specie.¹¹

In the final accounting in 1780, Maryland broke the faith. It redeemed the old issues of its paper money with one new paper dollar for every \$40 turned in. Moreover the General Assembly specified that the new bills would be without the support of a legal tender clause. When contracting for future loans, the parties were free to specify whether the medium of repayment was to be specie, English pounds sterling, or Maryland's paper money.¹² The new state paper currency was to be backed up by a sinking fund into which the state would place tax revenues and proceeds from the sale of confiscated Tory property. When paying taxes or buying property, payments were to be made in gold or silver; paper money was *not* an accepted medium of exchange.¹³


The failure of the monetary system made Christopher Hughes rich. When the value of state money crashed, the value of specie soared. With an inventory of gold and silver, and experience as a currency trader, he literally grew fat on his speculations. After the war, Hughes cut a portly figure as he rode his white-faced horse about the town.¹⁴

Notwithstanding monetary instability, all classes prospered during the first years of American independence. New Maryland dollars issued in 1780 and 1781 served as a circulating medium in the domestic economy. British merchants contributed to the climate of excess by freely extending credit for purchases abroad. After ten years of privation Marylanders eagerly bought European goods without much thought as to how they would pay for them.¹⁵ These postwar years held out great prospects for Leonard Harbaugh. By 1781 the town had swelled to 13,000 inhabitants and its leaders were promoting construction all around the town. The sturdy and skilled Harbaugh stood ready to build a better, bigger Baltimore.¹⁶

An extension of Calvert Street was among the public works proposed for the 1780s. A courthouse that had been built in 1768 stood in the way, however. The first plans called for its demolition, but Leonard Harbaugh persuaded the town council that he could save the building by excavation of earth and construction of an arched passageway beneath it. Many townspeople dismissed this idea as the "dream of a bold projector," but in 1785 Harbaugh accomplished the incredible feat, leaving the courthouse on stilts with its entrance twenty feet above street level.¹⁷

While Leonard Harbaugh continued his work as a builder he was on the lookout for new challenges. Although the construction trade was profitable, real fortunes were to be made in shipping. If shippers were to do business in the shallow Baltimore harbor, they had to wharf-out into deeper water. Harbaugh decided to construct and operate a wharf.¹⁸

To the north of the basin, Colonel Samuel Smith and his Scots-Irish co-religionists, the Sterretts, Spears, and Buchanans, had already cornered the

 **NOTICE** is hereby given to Messrs. Samuel Owings, George Range, Abraham Larsch, George Dagan, Philip Bear, Peter Birkman, William Bayley, and all others concerned, that the Subscriber, for a considerable Balance of Groundrent, and other Claims due thereon, hath reentered on the Wharf known by the Name of Harbaugh's Wharf: But, as he understands the above-mentioned Gentlemen are interested therein, this is to notify, that any or all of them may, notwithstanding, on paying his or their respective Balance, have, hold, and peaceably enjoy their just Claim in the same, in as ample a Manner as if the Reentry had not taken place; and it is hereby intimated to them, that unless they make their Claims, and pay their respective Balances, within one Month from the Date hereof, they will hereafter be inadmissible, as the Property will be improved and built on, by their humble Servant,
CHRISTOPHER HUGHES.
Baltimore, December 11, 1789.

Hughes (above) and Harbaugh (opposite) had notices printed in the Maryland Journal and Baltimore Advertiser to publicize their argument. (Maryland Historical Society Library.)

market on the waterfront. Their wharves along Water Street stretched a thousand feet out into the basin. Debris had been placed between the landsends of their piers, and *terra firma* had moved a block south to the newly extended Pratt Street, which was built on the fill. Leonard had to look elsewhere for a site for Harbaugh's Wharf.¹⁹

Meanwhile, *nouveau riche* Christopher Hughes was also on the lookout for opportunities to diversify his investments. In 1782 he bought a parcel of land known as Gist's Inspection, which bordered the harbor basin to the west and south. He promptly filled in the mud flats along the western waterfront to create building lots bounding the newly created Forest Street (Light Street, today).²⁰ The southern tip of the tract lay at the foot of newly christened Federal Hill and remained undeveloped. Some of it was dry land, but much of it was a sand bar washed by the tides. Major effort and expense would be required to make the land usable.²¹

In 1783 Hughes leased this part of Gist's Inspection to Harbaugh for ninety-nine years, renewable forever. Harbaugh agreed to pay an annual ground rent of £206, 12 shillings. The lease specified that the periodic payments were to be made in pounds sterling—hard English currency.²² Harbaugh rushed to profit from the postwar boom in imports and exports. According to his own reckon-

NOTICE is hereby given, to all whom it may concern, but especially to Mr. CHRISTOPHER HUGHES—That your Intimation to those Gentlemen whom you have insulted in your Advertisement of Friday last, is considered only as the Creaking of a hungry CROCODILE for more Plunder.—They know very well, and the Experience of the Subscriber from you will testify, that there is neither Peace, Credit, or Justice to be had in having any thing to do with you, or to hold, or enjoy any thing, when you can, by any Colour, or any Means, lay hold of it—I will, therefore, undertake to say for those Gentlemen, that you have nothing to do with them; nor will they have any thing to do with you.—As for myself, I shall only repeat what I have heretofore told you to your Face, that had I, by Chance, fallen into the Hands of Highwaymen, I should have had better Terms.—There are Examples that, when they have found they had robbed a Person that got his Living by Honesty and Industry, besides a large Family to maintain, as I have, they have restored the whole, or Part, back again.—Justice is all I look for from any Man; but you have now far more than Three Thousand Pounds of my Property in your Hands, for which I have not received One Penny; and because I cannot, nor will not, pay you Two Hundred and Six Pounds Rent, yearly, for a Piece of Ground that is not worth Twenty Dollars, at Times now are, you will ——— if you can, and still want more. It is true you have got my Coat, my Gloves and Jacket, very easy; but as it is now come to the Skin, and I find you are below Humanity, you shall find that a M A N will give Skin for Skin only, and you shall have Pieces for Pieces, as often as you say any thing in the Public Papers concerning Harbough's Wharf.—I am,——LEONARD HARBAUGH—*but no more your bumble Servant.*

Baltimore, December 14, 1789

ing he spent £3,300 creating Harbaugh's Wharf by extending logs into the basin and then filling in with soil behind. He subdivided the higher ground and subleased building lots.²³ But a sound and stable currency was still lacking. It had become apparent that the new Maryland paper money issued in 1780–81 was dramatically depreciating in value, first by one-, then by two- and even three hundred percent. The sinking fund was empty—taxpayers and purchasers of confiscated property were in default on their obligation to pay the state in specie. Debtors seized the opportunity to pay off their dollar debts with

worthless paper. And creditors were fearful that the soft-money faction in the Maryland General Assembly might push through new "legal tender" legislation that would once again make all debts payable with paper money (even if contracts called for specie or pounds sterling).²⁴

Creditors, led by Charles Carroll of Carrollton, made a preemptive strike. They persuaded the General Assembly at its 1784 session to pass the Consolidation Act, which provided for liquidation within six years of all debt owed the state. In the short run the act was a boon to debtors since it disregarded the market exchange rate and accepted Maryland dollars at a par with specie in the payment of debts owed the state. There was a reverse run on the treasury as debtors rushed to pay off debts owed in gold and silver with depreciated paper dollars.²⁵

The Consolidation Act had the intended side effect. Dollars disappeared into the treasury, and as the supply of paper money diminished the remaining bills increased in value. No longer would creditors be cheated by repayment in valueless paper. But the act had unintended side effects. There was not enough specie and foreign money left in circulation to serve as a monetary vehicle. Trade suffered, land values plummeted, and interest rates soared to 25 percent and 30 percent. Hard currencies, such as the pound sterling, dramatically increased in value.²⁶

Leonard Harbaugh was a two-way loser. The land he had leased, long-term, no longer had any resale value, and the rent he had promised to pay had become exorbitant. He had made the financially fatal mistake of undertaking to pay the annual ground rent in English pounds, not anticipating their runaway increase in value. Unable to pay the rent for five years, Harbaugh found himself eleven hundred pounds in arrears. He avowed that he "would not or could not pay Two hundred six pounds rent, yearly, for a piece of Ground that is not worth Twenty dollars as Times now are." In 1789, Hughes reentered and dispossessed Harbaugh of the leasehold. Hughes then pressed Harbaugh for payment of the back rent.²⁷

Harbaugh responded with a public airing of his grievances in the columns of the *Maryland Journal and Baltimore Advertiser*. In a series of broadsides the self-styled "enemy of tyrants" attacked Hughes's efforts to collect the debt as "the Croaking of a Crocodile, hungry for more plunder."²⁸ Harbaugh recounted his side of the story to the public. He was "a person that got his Living by Honesty and Industry" with "a large family to maintain." Hughes already had "more than Three Thousand Pounds of his property in hand" and still wanted more. Having already Harbaugh's "cloak and jacket it had now come to the skin"; Hughes was "below humanity." Harbaugh added a menagerie of insults, characterizing Hughes as "a crooked serpent," "a porpoise," "a bugbear," "a hungry wolf," and "a devil."²⁹ And in a final stroke Harbaugh went for Hughes's throat. In 1788 Hughes had celebrated his success by commissioning a portrait by Charles Willson Peale. The flattering portrait had been

placed on public display, prompting Harbaugh to observe: "I have done you more justice in drawing your general character, than even Mr. Peale has in drawing your fine picture, though it is believed in general that it is not the artist's fault but your particular request to counterfeit one of your chins."³⁰

Leonard Harbaugh won the battle of words, but Christopher Hughes took possession of the land. Harbaugh and his family fled to the newly established District of Columbia, one step ahead of the sheriff. Harbaugh subsequently submitted entries in the design competition for the Capitol and the President's House, but his plans were not selected. He died in 1822 and was buried in Washington's Congressional Cemetery. Christopher Hughes lived on in affluence in his Forest Street house at the foot of Federal Hill until his death in 1824. He is buried in Baltimore's St. Paul's Cemetery.³¹

So ends the brief history and cautionary tale of the carpenter and "the crocodile." In the boom years of the early 1780s an under-capitalized investor leveraged his assets and agreed to a long-term lease on what seemed to be favorable rent. When the crash inevitably came, he was busted. The story was repeated in the commercial real estate market of Maryland in the 1980s. "*Plus ça change, plus c'est la même chose.*"³²

And the story is a reminder that the conflict of interests between creditors and debtors is as old as the Republic itself. In the 1780s the General Assembly made dollars scarce. In the 1990s the Federal Reserve Board does the same. Today as yesterday, creditors prefer a strong currency and a high rate of return, while debtors will opt for easy money, low interest, and a little bit of inflation. "One man's justice is another man's injustice."³³

NOTES

1. Gary L. Browne, *Baltimore in the Nation, 1789-1861* (Chapel Hill: University of North Carolina Press, 1980), 3-13; J. Thomas Scharf, *History* (Philadelphia: H. H. Everts, 1881), 1:59-60, 185, 290-291; Sherry H. Olson, *Baltimore* (Baltimore: Johns Hopkins University Press, 1981), 10-15, 25; Paul Kent Walker, "The Baltimore Community and the American Revolution: A Study in Urban Development, 1763-1783" (Ph.D. dissertation, University of North Carolina, 1973), 91-94, 119.
2. *The Maryland Journal and Baltimore Advertiser*, December 24, 1789; "Christopher Hughes," Dielman-Hayward File, Maryland Historical Society.
3. *Ibid.*
4. *Ibid.*, August 20, 1773 (facsimile edition found in "Christopher Hughes," Dielman-Hayward File, Maryland Historical Society).
5. Kathryn L. Behrens, *Paper Money in Maryland, 1727-1789* (Baltimore: Johns Hopkins University Press, 1923), 46-58; Neil Carothers, *Fractional Money* (New York: A. M. Kelley, 1967), 17-36.

6. Frank Cassell, *Merchant Congressman in the Young Republic: Samuel Smith of Maryland, 1752-1839* (Madison: University of Wisconsin Press, 1971), 35-40; Olson, *Baltimore*, 13-15.
7. Behrens, *Paper Money in Maryland*, 59-87; Browne, *Baltimore in the Nation*, 8-97. Prior to the Revolution all of the colonies reckoned their circulating medium in the English style of pounds, shillings, and pence. The system was confusing, however, in that there was no equivalency. Colonial ratings of a pound were not in accord with one another, nor with the actual value of the English pound, sterling. After independence, this confusion was resolved by denomination of the "dollar" (based on the concrete metallic value of the Spanish silver dollar) as the basic unit of American currency. In Maryland the legal rating of the dollar was 7 shillings and 6 pence. See Carothers, *Fractional Money*, 21, 37-45.
8. Sidney Homer, *A History of Interest Rates* (New Brunswick, N.J.: Rutgers University Press, 1963), 274-279; A. Barton Hepburn, *A History of Currency in the United States* (New York: Macmillan Co., 1915), 1-12.
9. Carothers, *Fractional Money*, 21, 37-45.
10. *Ibid.*, 37-45; Behrens, *Paper Money in Maryland*, 59-67; Md. Laws (February) 1777.
11. Behrens, *Paper Money in Maryland*, 59-67.
12. Md. Laws (June) 1780, ch. viii, ch. xxviii; Behrens, *Paper Money in Maryland*, 58-68.
13. Md. Laws (June) 1780, ch. viii, ch. xxiv, ch. xxviii; Behrens, *Paper Money in Maryland*, 68-70.
14. *Baltimore Advertiser*, August 20, 1773, reproduced in "Christopher Hughes," Dielman-Hayward File, Maryland Historical Society; Scharf, *History*, 1:81.
15. Behrens, *Paper Money in Maryland*, 78.
16. Olson, *Baltimore*, 25.
17. Md. Laws (November) 1784, ch. xviii; Browne vs. Kennedy, 5 H & J 195, 197-199 (Md. 1821). Scharf dates the diversion of the Jones Falls to 1781 but the 1786 date from Browne seems more reliable. Scharf, *Chronicles of Baltimore* (Baltimore: Turnbull Brothers, 1874) 1:61-63.
18. Raphael Semmes, *Baltimore as Seen by Visitors: 1783-1860* (Baltimore: Maryland Historical Society, 1953), 26. When Chancellor James Kent, a distinguished jurist from New York, visited in 1793, he estimated that the harbor was only five or six feet deep.
19. Cassell, *Merchant Congressman*, 4-11, 35-40; Olson, *Baltimore*, 13-15; Scharf, *Chronicles*, 1:52-53, 56-57.
20. Gist's Inspection had originally been patented to Richard Gist in 1732. Giraud's Lessee vs. Hughes, 1 G & J. 249, 250-254 (Md. 1829).
21. *Ibid.*, 249, 250-254.
22. Porter to Hughes, Baltimore County Land Records (Deeds) Liber WG no. K, folio 3 (Maryland State Archives); Hughes to Harbaugh, Baltimore County Land Records (Deeds) Liber WG no. L, folio 500 (Maryland State Archives).
23. Giraud's Lessee vs. Hughes, 1 G. & J., 249, 252-255 (Md. 1829); *The Maryland Journal and Baltimore Advertiser*, December 14 & 24, 1789. Among the sublessees were Samuel Owens, George Range, Abraham Larseb, George Dagan, Philip Bear, Peter Birkman, and William Bayley.
24. Behrens, *Paper Money in Maryland*, 68-87.

25. Md. Laws (November) 1785, ch. lv.
26. Browne, *Baltimore in the Nation*, 12; Homer, *A History of Interest Rates*, 278; Behrens, *Paper Money in Maryland*, 78–87.
27. *The Maryland Journal and Baltimore Advertiser*, December 14, 1789. There was an investment lesson to be learned. Long-term ground leases were essentially purchase money mortgages. The rents were a fixed-rate obligation for ninety-nine years. In times of inflation the debtor benefited, but in times of deflation the debtor suffered: each payment was more onerous and there was no prepayment privilege.
28. *The Maryland Journal and Baltimore Advertiser*, December 11 and 14, 1789; Scharf, *Chronicles*, 1:81–82.
29. *The Maryland Journal and Baltimore Advertiser*, December 24, 1789.
30. *Ibid.*, December 24 and 31, 1789.
31. "Christopher Hughes," Dielman-Hayward File, Maryland Historical Society; *Antiques*, 42 (1942), 325.
32. "The more things change the more they remain the same." Alphonse Karr, *Les Guepes* (1849), in *Bartlett's Familiar Quotations* (16th ed., 1992), 443:19.
33. Ralph Waldo Emerson, *Essays, First Series* (1841), in *Bartlett's Familiar Quotations* (16th ed., 1992), 432:8