

Contention between the commercial North and agricultural South intensified. State legislatures, understandably reluctant to collect taxes that would be transferred to Congress, never came close to paying their allotted national requisitions. One or another state refused to give the unanimous approval required to provide a steady source of revenue to the Confederation. Congress could not pay its bills, and stopped paying the principal and interest on its foreign debts. States began to pay the national government's debts to their own constituents—further strengthening their political standing at the expense of the Confederation Congress.<sup>23</sup>

The 1780s marked a “critical period” in American history, as a cascade of problems seemed to push the national Confederacy to the point of dissolution. Economic depression, falling commodity prices, and scarce specie caused widespread economic hardship. Many state legislatures, keenly responsive to constituents' distress, printed paper money and issued bills of credit to boost the prices of produce and to cushion the burden of debt. Rhode Island circulated an especially large issue of paper money and legally required creditors to accept it as payment for debts. Massachusetts and Connecticut residents refused to ship produce and goods to Rhode Island for worthless paper. The State of Massachusetts rejected paper money and enforced a harsh system of high taxes. In response to these taxes, the requirement that they pay in scarce specie, and resulting property foreclosures, Massachusetts farmers led by Revolutionary War veteran Daniel Shays rose in armed rebellion in central and western Massachusetts.<sup>24</sup> Some states implemented self-serving trade policies that were costly to Americans in other states. New York's 1785 tariff law imposed duties for British goods brought in from neighboring states that were the same as the duties on goods brought directly from England. Efforts to get Congress to enact a national trade agreement with Britain failed because of regional conflict.<sup>25</sup>

During the Convention, George Washington wrote that “the situation of the general government, if it can be called a government, is shaken to its foundation, and liable to be overturned by every blast. In a word, it is at an end; and, unless a remedy is soon applied, anarchy and confusion will inevitably ensue.”<sup>26</sup> Northern newspapers speculated about a separate New England confederacy.<sup>27</sup>

A convention of several state delegates in Annapolis in 1786 concluded that general changes in the national government were required. Soon thereafter, both Virginia and the Confederation Congress called for a convention in Philadelphia in May 1787, to “render the constitution of the Federal Government adequate to the exigencies of the Union.” By that time, several plans for reforming the Confederation government were circulating.<sup>28</sup>

<sup>23</sup> Ferguson, E J, *The Power of the Purse: A History of Public Finance, 1776-1790* (1961) 220–221.

<sup>24</sup> Brown, R, *Redeeming the Republic: Federalists, Taxation, and the Origins of the Constitution* (1993) 83–96, 108–121; Holton, W, *Unruly Americans and the Origin of the Constitution* (2007).

<sup>25</sup> Davis, n 22 above, 73–75, 85, 100–101. <sup>26</sup> RFC, n. 13 above, Vol 3: 52.

<sup>27</sup> Rakove, n 6 above, 33. <sup>28</sup> Brown, n 24 above, 171–183.