Shad, Wheat, and Rye (Whiskey): George Washington, Entrepreneur

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Abstract: Beginning shortly after his return home from the Revolutionary War in 1783, George Washington set out to reorganize and improve the agricultural operations at his 8,000-acre plantation. Characteristically, Washington's vision incorporated his desires for the long-term success of the new nation – he hoped that America would become "the granary to the world" – with his goal of significant personal financial gain. To support this vision Washington invested in cutting edge agricultural practices and erected a variety of innovative support buildings. In 1797 Washington entered into the distilling business, and within a year he had established one of the largest and most productive whiskey distilleries in the nation. The story of this enterprise not only provides insight into Washington's activities as an entrepreneur, but also serves as a case study of American commercialization in the early years of the United States.

In February of 1798 George Washington systematically reviewed the accounts that had been kept for his Mount Vernon plantation for the previous year. His goal was to assess the profitability of his many related enterprises, and if possible to arrive at an accounting of his overall financial condition. This was the first time in years that Washington attempted such a detailed exercise, reflecting the fact that he had returned to Mount Vernon the previous spring after eight years spent concentrating more on his two terms as President than on managing his plantation. It was particularly important for Washington to know just where he stood financially at this time because he was hoping to find alternate sources of revenue that would be a less strenuous means of making a living than farming and directing the labors of more than 300 enslaved workers.

More than 40 years earlier, George Washington had eagerly embraced the life of a Virginia tobacco planter. Admittedly this had not been his first career choice, but when he failed to secure a commission in the British regular army after the conclusion of the French and Indian War, returning to Mount Vernon to devote his energies to running the plantation was still an attractive alternative. Therefore, like his father before him, and like virtually every other man of means in the colony, George Washington became a tobacco planter, producing the weed as a cash crop for export to England. Tobacco production was a labor intensive occupation that not only required large numbers of able bodied workers to cultivate and process the crop, it also needed fertile soils suited to the intense nutrient demands made by tobacco plants. Unfortunately, Mount Vernon's soils were not especially rich, and they were incapable of growing high quality tobacco. By the mid-1760s Washington often did not receive sufficient revenue from his leaf to offset expenses.

By 1766 the disappointingly low prices that he was receiving in return for his tobacco harvest convinced Washington that he would be better off devoting the labor of his workers to producing other commodities that had a more dependable payoff. Over the succeeding decades Washington experimented with growing dozens of different cereal grains, grasses, and other plants. But because of the ready market for grain and flour that could be found both at home and abroad, Washington selected wheat as his cash crop, while continuing to grow corn to feed his animals and as rations for the Mount Vernon workers. Washington's commitment to the pursuit of wheat cultivation is indicated by his comment from

1774 that, “The whole of my force is in a manner confind to the growth of Wheat and Manufacturing of it into flour.”

To take full advantage of the potential commercial benefits of wheat production, in 1770 Washington replaced a severely deteriorated gristmill that may have been built in the 1730s by his father, Augustine, with a larger, more efficient structure. The new three-level stone mill was intended to grind the grain of neighboring farmers as well as that from Mount Vernon, and it was outfitted with two sets of mill stones, including a pair of French buhr stones dedicated to making the finest quality flour for the merchant trade. In June 1771 Washington sold 128,000 pounds (426 barrels) of “superfine” flour to an Alexandria merchant, and the very next month another 200 barrels of Washington’s flour were shipped to Jamaica. In 1791 Washington further demonstrated his interest in adopting innovative technology when he paid to install a revolutionary automated milling system that had been invented and patented the previous year by Oliver Evans of Delaware.

Washington diversified his commercial efforts in an attempt to maximize profits, and to serve as a hedge against poor yields and fluctuating markets. Fortunately for Washington, the fact that the Potomac River stretched along almost 10 miles of his estate’s eastern boundary provided him with another highly profitable revenue stream. By catching a portion of the millions of shad and herring that passed Mount Vernon on their way north each year during the spring migration, Washington could supplement the food supply for his enslaved workers, while at the same time provide an additional source of income. The salted fish were kept on hand year-round to be distributed as rations, while the remainder was sold to local merchants. By 1772 Washington's fishery netted more than one million herring and shad, most of which he sold to the Alexandria firm of Robert Adam & Company, in return for 184 pounds sterling.

Like many other large Chesapeake landholders, Washington sought to make the plantation as self-sufficient as possible, and thus reduce unnecessary expenses. Cloth and shoe making limited expenditures associated with maintaining the enslaved workers, just as the success of the fishery lowered the cost of their rations. The blacksmiths serviced the entire plantation, as well as the needs of neighboring planters. The coopers helped supply barrels for storing and shipping flour, fish, and, after 1797, whiskey. By that year Washington also was making 37 pounds annually from stud fees for his Spanish jacks and his stallion.

Upon his return from the Revolutionary War in 1783, Washington set out to reinvent Mount Vernon as a model of progressive agricultural practices. He experimented with the latest varieties of seeds, created complex crop rotation schemes, tested dozens of types of fertilizers, and built new structures – including several barns and a dung repository -- designed to support the new initiatives.

But by the mid-1790s, Washington wanted out. He had come to the point where he seriously considered how he could begin to dismantle the expansive agricultural enterprise that he had devoted almost four decades of his life to building. Land and slaves were the foundation for Washington's wealth, as it was for virtually all of the Virginia gentry, and he had been particularly assiduous in assembling the component parts of his far-flung enterprise. But the inter-relationships of land, labor, markets, and profits were complex, and overseeing the diverse elements, and in particular attempting to force unmotivated enslaved workers to embrace his ambitious new agricultural initiatives, proved especially wearying.

In addition to reducing his expenditures and coming up with an easier method of making money, Washington also hoped to be able to solve a problem with which he had been wrestling for many years – the disposition of those hundreds of enslaved workers who labored at Mount Vernon.

First, Washington planned to rent the four outlying Mount Vernon farms, which would allow him to reduce the number of slaves that were needed to support the plantation, as well as provide him with a steady and less taxing source of income. But even more important, Washington hoped that he could sell the thousands of acres of land that he held in the west, and use that money to pay the heirs to the estate of Daniel Parke Custis, the first husband of Martha Washington, so that he could manumit the 153 slaves that were held in trust. If he could accomplish this, then he could simultaneously free both the Custis slaves and the 123 slaves that he owned himself – otherwise, he was unwilling to free his own slaves before his death because of the disruption to the lives of the intermarried families that would result.

That this was his intention was made clear as early as 1794 when he wrote to his secretary and close friend, Tobias Lear, declaring that, “I have no scruple to disclose to you, that my motives to [the sale of my lands] are to reduce my income, be it more or less to specialties, that the remainder of my days may, thereby, be more tranquil and freer from cares."

But these plans had come to nothing. Given the fact that large tracts of cheap unclaimed land still existed in western Pennsylvania, and in Kentucky and Ohio, to enable emigrants to settle them at little cost, the market for undeveloped western lands remained poor. Not surprisingly, therefore, Washington could not find anyone willing to pay him his asking price. Thus, in the last year of his presidency, as he considered both the joys and the cares that would attend his return to Mount Vernon, Washington was particularly receptive to any scheme that would increase revenues without requiring any additional effort on his part. Into this situation -- and into Washington's life -- walked James Anderson, a Scottish immigrant who Washington hired in the fall of 1796 to serve as his plantation manager.

Anderson was an experienced distiller, first learning the craft in his native Scotland and then operating a distillery after he immigrated to America, and he almost immediately began to lobby his employer with the prospect of making sizeable profits if he would pay to set up a distillery at the site of the Mount Vernon gristmill. Distilling whiskey from corn and rye was a natural complement to the mill, Anderson argued, and Washington agreed to convert an existing cooper's shop and set it up with two stills. During the week of February 22, 1797, the first 80 gallons of whiskey were made and it was stored in the cellar of Anderson's house for safekeeping. Over the course of the year, Anderson produced more than 600 gallons of spirits, and by the following June he was so convinced of the profitability of the venture that he wrote to Washington with a detailed proposal for enlarging the operation and building a new stone still house to accommodate it. Anderson estimated that the cost of purchasing three additional stills, along with a copper boiler and a quantity of wooden mash tubs would amount to $640.

Before he would agree to foot the bill to erect the new still house, Washington appealed for advice to a knowledgeable friend, John Fitzgerald, who operated a rum distillery in nearby Alexandria. In response to Washington's query as to the potential success of the expanded distillery, Fitzgerald replied, that he had "no doubt but Mr Anderson understands the Distillation of Spirit from Grain," and that therefore Washington could sell his product at a sizeable profit, even "if the Quantity was ten times as much as he can make provided it is of good quality." With this very positive endorsement in hand, Washington agreed to Anderson's plan. But as a warning to his manager, Washington reminded Anderson that it was only because of his "knowledge of it (whiskey making) and from the confidence" Washington had "in the profit to be derived from the establishment," that he was disposed to enter into the business.

Preparations to construct the distillery began in earnest in the fall, with actual site work beginning the week of October 7, 1797. By the next week, the Mount Vernon masons were digging the trench for the foundation, and from then until mid-December they raised the stone walls and continued to prepare wood for the frame. By January the project had progressed to the point where the masonry chimneys were partially completed and wagons were hauling the new stills from town. By the time that Washington sat down to examine his account books in early February, plastering and other interior finish work was underway, and by the end of the month the stills and the boiler had been set in place. By early March, the 75 by 30-foot building was completed and distilling had recommenced.

Just as construction of the new still house was nearing completion, Washington's accounting exercise revealed that his Mount Vernon estate was indeed a profitable enterprise, but one that was severely limited in terms of generating liquid capital. In other words, and not surprisingly, like all farmers everywhere Washington operated principally on credit and therefore often found himself short of ready cash. In 1797 the profit centers, in order of their value, consisted of the produce of the farms (1160£), the fishery (165£), the mill (117£), the distillery (83£), stud fees (37£), and fees paid for the work of the blacksmiths (34£) and the shoemakers (28£). However, in fact, the fees paid in return for the activities of the craftsmen mostly represented credits that were then debited from the various farms, since their products were almost all consumed internally. Similarly, the profits listed as resulting from hiring Mount Vernon slaves were simply an accounting exercise, as they were charged against the various farms where the labor had been performed.

On the debit side, the Mansion House Farm, with all of the expenses related to the Washington household, was far and away the major drain (-1466£), with

Muddy Hole Farm (-60£), and the spinning operation (-51£) also in the red. The bottom line showed a net profit of 898 pounds sterling.

Washington's investment in the distillery was aimed at alleviating this cash flow problem, and to a degree it appears to have succeeded. The total production of spirits increased each year, from 600 gallons in 1797, to almost 4500 gallons in 1798, to nearly 11,000 gallons in 1799. The profits from the Distillery ramped up accordingly, from 83 pounds to 334 pounds, to more than $1800 (or roughly 600 pounds) in 1799.

Even given the profitability of the Distillery, it appears that Washington may have entertained some misgivings over having acquiesced to Anderson's plan. Because the distillery had expanded considerably, the pressure it placed on the Mount Vernon grain supply was correspondingly great. In fact, the demand seems to have quickly outstripped the capacity of the Mount Vernon farms to meet it, and Washington entered into agreements to purchase corn and rye from various sources. In a June 26, 1798, letter to his nephew, William A. Washington, George Washington agreed to purchase 500 barrels of corn annually, at the Alexandria market price. Washington also agreed to accept grain in payment for the whiskey that was produced, suggesting to his nephew that "if you should want *more*, or any of your neighbors want *any*, it would be convenient, & always proper, to supply you – and for grain, wheat, Rye or Indian Corn in exchange."

When combined with the cost of erecting and outfitting the new still house, the additional unexpected expense of purchasing grain caused Washington to call on his agents to redouble their efforts in collecting his rents and other debts due him. In a letter to one agent, Robert Lewis, Washington provides a candid assessment of the situation that further suggests that he may already have been entertaining second thoughts about the scheme, concluding that: “I find these expenditures are but a small part of the advances I must make before I shall receive any return for them, having all my Grain yet to buy to carry on the business.” As a consequence, he entreated Lewis “to exert yourself in the collection of my Rents, and that you would let me know, upon the best data you can form an opinion, what dependence I may place on you.”

Judging by the size of the building, the number of the stills and their combined capacity, and the total volume of alcohol he produced annually, Washington’s whiskey distillery was one of the largest in the region, if not the entire United States. It was during the 1790s that whiskey supplanted rum as Americans’ distilled beverage of choice. As a result, literally thousands of distilleries were operating in the country by 1800. The great majority of these were small concerns, however, usually possessing only one still that produced a few hundred gallons of spirit. Furthermore, Washington’s whiskey was marketed relatively widely. Of the 57 individuals who purchased whiskey from Washington in 1799, 12 were Alexandria merchants who together purchased 4300 gallons, or roughly 45 percent of the total product. They then resold the liquor in their various retail outlets.

The historian Aubrey Land postulates a model for Chesapeake entrepreneurial activity that is helpful in assessing Washington’s economic system. Land characterized the upwardly mobile members of the Chesapeake planter elite in the mid-18th century as "merchant-planters," because, "for almost all those who came to the top, merchandising or trading provided the economic momentum toward wealth." Thus, Land maintained, these men planted tobacco using slave labor, but they also might "purchase cargoes of goods for resale to their less wealthy neighbors, lend money at interest to those same neighbors, acquire tracts of land to be developed by tenants and then sold for profit, build ironworks or shipyards, practice law in the country and provincial courts, or hold offices of profit."

Laura Kamoie's examination of the financial affairs of three generations of the Tayloe family of Richmond County, Virginia, from 1710 to 1830, demonstrates that beginning with John Tayloe, I, he and his heirs were the epitome of this approach. They were risk-taking entrepreneurs, who diversified their financial base to include merchant trading, iron working, and shipbuilding, along with tobacco and later grain production, land speculation, and flour and saw milling on a large scale.

In comparison with the Tayloes' commercial empire, George Washington's enterprises remained both limited and conservative, focusing primarily on producing and marketing agricultural commodities, and it was more like that suggested by Jean Russo to be characteristic of Chesapeake planters who came to prominence during the second half of the century. Her study of the financial affairs of Edward Lloyd, IV, of Talbot County, on Maryland's Eastern Shore, provides an instructive example of this approach. Over time Lloyd reduced the diversity of the commercial ventures he inherited from his father, and instead chose to focus on structuring all aspects of his plantation to support agricultural production. Like Washington, this included renting his lands, and carrying on traditional plantation crafts like blacksmithing, but he depended almost exclusively on marketing his produce – tobacco, corn, wheat, and livestock – to provide the greatest share of his income.

But unlike Tayloe and Lloyd, and unlike every other member of the Chesapeake gentry, no matter how wealthy and influential, George Washington's financial plans were profoundly affected by other factors. His role as the preeminent leader of his new nation – symbolically as well as militarily and politically – influenced almost every aspect of Washington's activities during the last two decades of his life. Most significant for purposes of this discussion, this experience led him to dare to think of a future without slavery. Washington was unwilling to force the issue on a national level because of the potential for intersectional conflict that might result, but he hoped to make Mount Vernon a model for the nation once more by finding a way to manumit all of the plantation's slaves. Thus Washington hoped to point the way for his new nation in resolving the dilemma of slavery at a time when all of the other slaveholders among the founding fathers were avoiding the issue entirely. James Anderson's whiskey distillery was envisioned as an integral part of this ambitious, if ultimately unsuccessful, plan.