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The Transatlantic Financial Crisis of 1837

Stephen W. Campbell

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Summary and Keywords

The Transatlantic Financial Crisis of 1837 produced a global depression that lasted until the mid-1840s. Falling cotton prices, a collapsing land bubble, and fiscal and monetary policies pursued by individual actors and financial institutions in the United States and Great Britain were all responsible. A comprehensive understanding of the panic must take into account the global movements of gold and silver that linked Mexico, China, the United States, and Great Britain in complex networks of credit and debt. In the United States, businesses, banks, and individuals declared bankruptcy; states defaulted on their debts; commodity prices dropped; credit instruments lost their value; and unemployment rose amid a general atmosphere of pessimism and an erosion of confidence. The severity of the panic prompted politicians and financial theorists to reevaluate their ideological assumptions regarding the proper role of governmental regulation in an economy. In a larger sense, the panic demonstrated how the expansion of slavery in the United States, British imperialism, financial speculation, and recurring cycles of boom and bust were emerging as defining features of modern capitalism.

Keywords: international trade, specie, Mexican silver, history of capitalism, bank war, Nicholas Biddle, Baring Brothers, Bank of England, cotton, domestic slave trade

Background, Pre-1834

By the early 19th century, the world's leading economies had become linked through a complex, global system of trade, credit, and finance. As the foremost industrial power with a long history of maritime trade and advantages accrued to it through the Atlantic slave trade, Great Britain played a central role in developing a balance-of-payments system that sorted out surpluses and deficits between countries through the flow of gold and silver. Under a presumably automatic and self-regulating system, countries were supposed to peg their currencies to gold at a fixed rate and keep government intervention minimal under the assumption that prices, production, and employment would work themselves out naturally over time.

To avoid the time, risk, space, and hassle of sending specie—gold and silver bars, ingots, and coins—over long distances to meet obligations, merchants[1] used credit instruments. One in particular, the bill of exchange, dated back to the 16th century and was integral to foreign and domestic trade. Short term (sixty to ninety days) and liquid (easily convertible to specie on demand), bills represented the value of commodities like cotton and connected buyer and seller. Banks, merchants, and brokers purchased bills of exchange in a process called *discounting*, deducting interest up front and paying out paper currency such as bank notes in return.[2] Virtually every individual in an economy relied to some degree or another on credit, mostly because there was a delay between the time a product was produced and when it was consumed. Even the seemingly simple act of shipping Mississippi cotton to Manchester textile factories involved a surprisingly complex number of different actors and occupations.

Of particular importance to international trade was Baring Brothers, a merchant banking house located in London whose commercial reach spanned several continents. Barings established a partnership with the Second Bank of the United States (BUS), the nation's central bank and fiscal agent, and brokered US sovereign debt in London money markets.[3] American wholesale merchants wishing to satisfy the consumptive tastes of their consumers relied on Barings for needed credit. Through Barings, rural planters in the American South were linked with British manufacturers, including all of the importers, factors, commission agents, exchange dealers, exporters, and insurance agents in between.

Barings also financed the global trade connecting China, the United States, Mexico, and Great Britain. Going back to the late 18th century, American merchants sent produce and manufactured goods to Mexico and South America in exchange for Spanish silver dollars, which they then shipped to China to pay for silk, tea, nankeens, and chinaware.[4] The Chinese had long used the Spanish peso as a medium of exchange for its reputation and reliability, but as the former Latin American colonies became independent, Chinese demand for pesos dropped. Under Spanish colonial rule, all Latin American colonies minted coins under a common standard, but with independence and separate fiscal and monetary systems came regional variations in the qualities of coins produced. The Chinese, deprived of a central monetary authority like the Bank of England, found Latin American independence disruptive in terms of trade.[5]

Contemporaneous to these events was the increasing imperial presence of British firms in Asia represented by Barings and the British East India Company, which exploited the

Chinese addiction to opium. After 1815, the Chinese started purchasing ever larger quantities of opium produced on plantations in India, a British colony, by using foreign bills of exchange drawn on Barings. Opium purchases by the 1830s reached about $10 million per year. Using Barings's open line of credit, Philadelphia financier Nicholas Biddle in 1827 created a six-month foreign bill of exchange, drawn on London, that substituted American specie shipments to China.[6] The effects of this switch were, first, that more silver, instead of remaining in China, was exported to Great Britain, and second, that much of the Mexican silver that had gone to China via the United States now stayed in the United States. This would be important for setting up the inflationary preconditions for the panic of 1837.

Before the United States became the leading recipient of British capital, merchant bankers expressed interest in Mexico, Buenos Aires (today, Argentina), and Brazil.[7] Investors, attracted by the potential returns from abundant natural resources and flourishing export trades in hide and tallow, bought sovereign debts and sold them in London money markets. Barings purchased securities to underwrite water infrastructure projects in Buenos Aires in 1824. In the following year, however, investment dried up due to a financial panic and the inability of the Argentine government to pay its creditors.[8] In Mexico, Barings briefly invested in real estate, mining, and sovereign debt, but Mexico had trouble sending remittances to Great Britain to make interest payments on time. The country lacked up-to-date transportation networks and lost part of its skilled artisanal population after independence. Moreover, various political revolutions spooked investors who preferred a more stable business climate. A number of South and Central American republics began defaulting on their debts after 1825.[9]

With Latin American countries acquiring the reputation of a risky investment by the late-1820s, British investors saw numerous opportunities in the United States. The BUS provided a uniform currency, made payments on its national debt, maintained liquid domestic and foreign exchange markets, and implemented effective monetary policies during the 1825–1826 financial crisis.[10] The United States also had open lands, vast resources, and a growing and entrepreneurial population that could purchase British manufactured goods. After the celebrated completion of the Erie Canal in 1825, American securities—the stocks and bonds that capitalized banks, internal improvements,[11] and state and municipal governments—began to appear more frequently in London money markets. These securities, which carried attractive yields of between 5 and 11 percent, played an important role in the balance-of-payments between Great Britain and the United States. For most of the 1820s and 1830s, Great Britain maintained a trade surplus with the United States, principally because the value of manufactured goods produced in Great Britain exceeded the value of American crop exports. But because the balance-of-payments system included not just trade between the two countries, but investments, too, the net balance favored the United States, due in large part to the British purchase of American securities. British gold, therefore, flowed to the United States.

Access to British capital depended in large part on Americans' ability to grow and export cotton, the crucial ingredient required for the operation of textile mills. It was through cotton sales that American merchants settled foreign debts with Great Britain. American bank notes could not be used to pay these debts, but foreign bills of exchange in pounds sterling, whose value was based upon the price of cotton, helped Americans secure British credit, buy British manufactured goods, and make payments to the British bondholders who owned American securities.[12]

It is worth stressing that the story of cotton growing in the United States had a tragic racial component. Native Americans in the American South occupied some of the best cotton-growing regions in the entire world, and white Americans first had to forcibly remove them for the industrial revolution to proceed. A different forced migration, one involving African American slaves, took place soon thereafter. Their stories, deliberately concealed by contemporaries and largely untouched by historians until recent decades, suggest an unimaginable scale of pain and suffering that cannot be understood in any real sense by looking at economic statistics alone. Untold thousands of African American families were torn apart in this domestic slave trade, while behemoth slave-trading firms like Franklin and Armfeld and giant merchant bankers like Brown Brothers accumulated vast fortunes.[13]

Causes, 1834–1836

The three years of rapid economic expansion in the United States from 1834 to 1836, attributable in large part to specific fiscal, monetary, and trade policies, are crucial to understanding the origins of the Panic of 1837. Part of the gold flows from Great Britain to the United States can be explained by the Gold Coinage Act of 1834, which raised the silver-to-gold ratio to 16:1, leaving gold slightly overvalued in the United States in comparison to metallic exchange rates in other countries. The act's devaluation of the dollar vis-à-vis the pound granted American exporters a competitive advantage and made the sale of American securities cheaper in foreign money markets.[14]

There was also silver flowing from Mexico into the United States due to policies pursued by Antonio López de Santa Anna, the president of Mexico. In addition to the instability caused by the Texas Revolution of 1835–1836, which encouraged the flow of capital to seek a safe haven in the United States, Santa Anna financed a budget deficit with copper coins worth more than what copper yielded on the bullion market. Rather than call for more copper mining, Santa Anna's artificial overvaluation encouraged rampant counterfeiting, leading to inflation, and eventually, to silver heading northward, where it could pay for more goods.[15] With large gold and silver reserves, American banks printed more paper money. The money supply in the United States grew at an average annual rate of 30 percent between 1834 and 1836, a marked increase from the 2.7 percent growth during the previous three-year period, setting up the preconditions for an inflationary boom.[16]

New financial institutions engaging in risky lending practices facilitated the mutually reinforcing expansion of land sales, cotton cultivation, and slavery. Unshackled from the regulatory oversight previously provided by the BUS, state governments, particularly in the South and West, issued charters for new state banks, which financed public land sales and internal improvement projects.[17] In 1836 alone, more than one hundred banks opened their doors. The specie leverage ratio—the number of dollars and banknotes supported by one dollar of specie reserves—for all state banks in the nation increased from 6:1 to 9:1 between 1834 and 1837. In the same period, the capital leverage ratio—the number of dollars of loans supported by one dollar of capital—jumped from approximately 1.1:1 to 1.8:1.[18] These figures suggest that banks were taking on greater risks in the years leading up to the panic.

One illustrative example of this expansion was the property bank, which mixed commercial and mortgage lending.[19] Raising capital and issuing loans for these highly speculative financial engines involved several complex steps. First, planters brought together a group of mortgages into a fund, which secured the sale of bonds that would raise capital for the bank. As shareholders, planters could eventually borrow up to two-thirds of the value of the mortgages they submitted. Encouraged by state governments that pledged their full faith and credit in guaranteeing these bonds, northern brokerage firms like Thomas Biddle and Company, and Prime, Ward and King purchased these bonds and sold them overseas to European investors, implicating northern and European investors in the expansion of slavery.[20] In issuing banknotes, specie, and most commonly, bills of credit, property banks provided long-term mortgage credit to farmers and planters. The hope was that planters' profits—derived from selling crops, land, or slaves—would repay the bonds that capitalized the bank.[21]

Property banks demonstrated several interlocking characteristics of the Atlantic economy.[22] State subsidies, far from being an impediment, encouraged economic growth in capital-scarce regions. In pooling together mortgages and creating derivative securities, property banks had much in common with the risky mortgage-backed securities and collateralized debt obligations (CDOs) that exploded the world economy in 2008.[23] In addition, property banks were inextricably linked with slavery. Slaves not only picked the crops that allowed planters to repay their loans to British and American investors, but slaves themselves were mortgaged and collateralized to provide security for the property banks' bond issues. While historians have debated the degree to which slavery enhanced or hindered industrialization, the advantages of using slaves—rather than land—as the basis of the South's financial system were liquidity and transportability.[24]

Cotton, land, and slaves—commodities whose prices tended to rise and fall in unison—displayed signs of a bubble in the years and months leading up to panic. In a cycle that repeated often under favorable conditions, planters took out loans to buy land and cotton, bought slaves to pick the cotton, and sold the cotton overseas in order to buy more land, cotton, and slaves. In 1834, the increase in slave prices began to significantly outpace that of cotton. According to historian Edward L. Baptist, Jacob Bieller bought dozens of slaves from major slave brokers in Louisiana for $1,500 per person, about double the 1830 price.[25] Because selling cotton and slaves generated handsome profits that could be used to purchase public lands—the sales of which constituted a key source of federal revenue—the economic boom of the mid-1830s allowed the US Treasury to completely pay off the national debt. Jackson took credit for this feat in 1835 and the following year, public land sales totaled a record $25 million and accounted for 50 percent of all federal receipts.[26] The US Treasury now had a budget surplus with no public debt.

What Congress and the Jackson administration decided to do with the surplus, however, did not help matters. The Deposit Act of 1836 ordered the distribution of the federal surplus into various deposit banks (sometimes known pejoratively as "pet banks" because of their partisan affiliation) throughout the country. It stripped the treasury secretary of regulatory oversight and failed to establish adequate reserve ratios for the deposit banks, which issued loans exuberantly. The geographical orientation of these transfers was key. Under normal conditions, millions of dollars of federal deposits accumulated in New York City. Importers and exporters needed hard money to settle foreign balances, and northeastern merchants required the financial means to purchase southern crops. But the Deposit Act drained New York deposit banks of their monetary reserves, which fell from $7.2 million in September 1836 to $1.5 million in May 1837, leaving the nation's financial system vulnerable to external shocks.[27]

Less than three weeks after signing the Deposit Act, President Jackson issued the Specie Circular. Spearheaded by hard-money men who feared that destroying the BUS had only worsened the inflationary lending practices of the country's ever-growing number of state banks, this executive order required that sales of public lands in parcels over 320 acres be conducted in specie. Like the Deposit Act, the Specie Circular diverted precious metals from east to west, away from the country's financial centers and against the regular course of trade. Importantly, it had little effect on the land boom.[28] A selfreinforcing feedback loop was already under way. The specie used by purchasers of public land was deposited in government land offices and then transferred to nearby state banks, which treated government deposits the same as specie and counted the notes of other banks as reserves.[29] Flush with specie from land sales and the distribution of the surplus, banks issued more loans, creating more bank notes in the process. The more that banks lent, the more they increased the reserves of other banks, which in turn, led to more lending.[30]

British financiers began expressing alarm over events in the United States. For one, they recoiled at Andrew Jackson's bravado and the unstable business climate wrought by his confrontational approach to the BUS and tariff controversies.[31] Barings, long known for its prudence, scaled back its brokering of American securities in 1836 and managed to escape relatively unscathed from the approaching tumult. When the directors of the Bank of England noticed that the central bank's specie reserves had dwindled to just four million pounds, they adopted restrictive measures. Very likely a major reason for this decline was the high volume of American securities purchased in London, and while the exact reasons for England's specie shortage are disputed, the important takeaway was that the Bank of England blamed trade with the United States.[32]

It therefore raised its discount rate gradually from 3 to 5 percent. It stopped discounting commercial paper from the seven major merchant banking houses, known colloquially as the "American houses," who were principally responsible for financing Anglo-American trade. In turn, these actors ceased accepting the foreign bills of exchange that American import merchants had used to pay for British manufactured goods. Their bills discredited and returned to them under protest, American merchants could now only send specie to England.[33] On October 13, 1836, the Bank of England also decided to end the system of "open credits" it had granted to the American houses during the boom years. Open credits had allowed the BUS and American import merchants to borrow from Barings and the Bank of England on a continual basis, without security and attached documents.[34]

Related to these developments was the ever-important price of cotton in Liverpool.[35] As much as any other variable, the price of cotton had done so much to sustain the bubble from 1834 to 1836 and was now equally impactful in its fall. In spite of increasing demand, overproduction and excessive supply helped to burst the bubble. From 1830 to 1837, US cotton production nearly doubled from 732,000 to 1.428 million bales. Egypt was exporting 35 million pounds of cotton in 1837, up swiftly from just 6 million pounds in 1833, and ample supplies were also coming into Liverpool from India. Because of the interconnectivity of the global economy, cotton's price decline reverberated throughout the world with devastating consequences.[36]

The first signs of trouble in the United States appeared in the early months of 1837, in New Orleans, where major cotton commission houses began to fail. In March, the firm of Hermann, Briggs and Company went under. As a cotton factor, Samuel Hermann drew upon European credit to buy cotton from southern planters under the assumption that he would repay his creditors with proceeds from the sale of cotton in Liverpool.[37] Several months typically passed between cotton's harvest and sale in England. If factors paid planters for cotton at seventeen cents per pound, the price would have to stay relatively high for factors to stay afloat. The commodity's abrupt fall midstream ruined the execution of this plan.[38] Hermann, Briggs was part of a network of cotton factors and maintained credit relationships with northeastern firms. With liabilities reportedly between $4 and $8 million, Hermann was large enough to bring down other firms with it, including the ten largest New Orleans cotton houses and many smaller firms. On March 17, the bill brokerage firm of J. L. and S. Joseph and Company of New York announced its failure, citing the Hermann, Briggs suspension.[39]

The Hermann failure was also an apt illustration of how intangible factors like confidence, psychology, reputation, and rumor could move the objective numbers of accounting and finance. Foreign bills of exchange were based on cotton consignments; if the price of cotton went down, so did the face value of the bill.[40] If firms like Hermann had only these bills to pay their debts, bankruptcy was almost inevitable. In many ways, confidence itself could alter balance sheets. It was the glue that held together every moving part of a complex credit system. When confidence disappeared, exchange and discount rates for obtaining foreign bills of exchange rose to the point that American merchants found it more profitable to send specie rather than commercial paper to pay their debts abroad.

Although there were earlier signs of distress, May 1837 is often cited as the official onset of a multiyear depression. It was the time when New York banks suspended specie payments, prompting banks nationwide to do the same.[41] Suspension could theoretically be a banker's worst nightmare and an indication of harder times to come. Some financial theorists wished to avoid it at all costs.[42] But in many ways, it was also a rational, protective measure. Suspension could prevent even stricter loan curtailments, liquidation, and deflation. Suspension did not mean that banks closed their doors permanently as popular images of bank runs from the Great Depression suggest; rather, it meant that banks refused to fulfill one of their obligations—usually redeeming credit instruments at full face value—while maintaining others. In fact, because banks were no longer required to exchange commercial paper for gold and silver during a suspension, they stopped pressing debtors for immediate payment in hard cash and in some cases, they even expanded lending.[43]

One consequential outcome of suspension was that British merchant bankers would not receive desperately needed specie from American banks, who were already under pressure from customers who began withdrawing their deposits and hoarding specie under panicky conditions. Merchant bankers, having extended millions of pounds of credit to American cotton factors, were left out to dry.[44] The so-called Three W's—George Wildes and Company, Thomas Wilson and Company, and Timothy Wiggin and Company—requested and received a bailout from the Bank of England. But this was only temporary. These firms would not survive the panic.[45]

Symptoms, 1837–1843

Available data paints a mixed picture on the severity of the panic in the United States. The degree of suffering and hardship experienced by Americans from 1837 to 1843 depends on the category one is examining. Domestic trade fell a modest 15 to 20 percent, and unemployment was most likely confined to major urban areas.[46] Estimates of real gross domestic product (GDP) rose every year—there was a growing population with a high birthrate—and real GDP per capita fell only a few percentage points. Liberal spending on canals and other internal improvement projects at the state level continued unabated until 1841. Only two bank runs received extensive coverage in the newspapers in 1837.[47] As the financial historian George D. Green wrote, the panic of 1837 did not produce a modern, Keynesian depression with sharply reduced production and mass unemployment—features more in line with fully industrialized economies where large segments of the workforce are engaged in manufacturing.[48]

None of this is to overlook the widespread pain associated with failure, displacement, bankruptcy, lost savings, and financial ruin. Failures and loan losses reduced the book assets of all state-chartered banks in the United States by 45 percent. Of the 729 banks with charters, 194 were forced to close their doors. Banking and insurance stocks fell by 31.9 percent and railroad stock prices fell by 63 percent between 1837 and 1843.[49] Poor harvests compounded an already grim situation, leading to high food prices and eventually food riots in Baltimore, Albany, Boston, and New York City.[50] Debtors who were unable to pay their creditors fled to Texas, an independent republic at the time that would not extradite absconders to the United States for trial. Thousands of people in manufacturing districts, both in the United States and Great Britain, lost their jobs as credit dried up. A few prominent businessmen committed suicide. Children born in the United States during the 1840s were five centimeters shorter than children born only ten to fifteen years earlier, suggesting that the panic caused nutritional hardship, while in Great Britain, the decade became known as the "hungry forties."[51]

Stories abound of farmers losing their land and artisans being unable to meet their obligations. Price deflation in commodities, a worldwide phenomenon, struck a blow to the United States because of the country's reliance on cotton to settle foreign debts and to balance southern state budgets. According to the 1840 US federal census, approximately 77.5 percent of all persons employed held jobs in agriculture, a sector hit particularly hard by falling crop prices.[52] Particularly troublesome for planters and farmers were debt-default spirals. When the price of cotton went down, farmers could not repay the factors and banks that had lent them money. Defaults and withdrawals of savings forced banks to call in loans and raise interest rates, which in turn depressed lending and led to further price declines and defaults.

Most of the financial elite in the United States, including Nathaniel Appleton, Albert Gallatin, Thomas Wren Ward of Baring Brothers, leading bankers in New York and New England, and the managing partners of Prime, Ward and King, argued that the key to recovery was the resumption of specie payments.[53] The assumption was that if banks returned to specie convertibility, the value of the currency would stabilize, confidence in the financial sector would return, and prosperity more generally would follow. Biddle did not share this perspective. If banks resumed specie payments too soon, he contended, they would demand immediate payment from merchants, manufacturers, farmers, and other borrowers to fill their vaults, thus taking money out of circulation. Banks would be in a better position but at a cost to the rest of the economy. Biddle understood that merchants, like banks, issued their own credit, and so tightening by banks would force merchants to do the same, percolating down to other actors and needlessly stopping factories and throwing laborers out of work.

Although Biddle had failed to secure a new federal charter for the BUS, a state-chartered institution, the Bank of the United States of Pennsylvania (BUSP), took its place. Still in control of abundant financial resources and foreign contacts, Biddle developed a plan for rescuing the economy. Rather than using bills of exchange, which had fallen out of favor, the BUSP would issue post notes—promises to pay in specie with interest at a future date—to serve the needs of domestic commerce.[54] Biddle's chief priority was to restore American credit abroad by enabling merchants to pay their foreign debts. A higher price of cotton would speed up this process. Biddle planned to corner the market and artificially raise its price. The BUSP was forbidden by its charter from trading in commodities, so Biddle lent old BUS notes to agents who would travel to the South to buy up large quantities of cotton, ship it to England, and hold onto it until the price rose. This was a bold and controversial plan. At least initially, it worked. Old BUS notes helped planters pay their debts to southern merchants, who could then pay their northeastern creditors, who in turn could send remittances to England.[55]

The restoration of the cotton market in the Southwest contributed to an economic rebound in 1838.[56] But hopes of a full recovery were dashed the following year. Great Britain had resumed buying up the stocks and bonds of railroad, canal, and bank companies. Because of competition from textile spinners in continental Europe, British manufacturers were not exporting as many finished goods, which, in combination with poor harvests that forced Great Britain to import much of its food, contributed to a trade deficit and specie drain. Once again, the Bank of England found itself perilously low on bullion, which dropped from 9.3 million pounds in January 1839 to 2.5 million pounds in October 1839. To protect its reserves, the Bank of England raised rates to 6 percent.[57] In an open economy with fixed exchange rates, the monetary policies of the hegemon—Great Britain—are transmitted to the periphery. New York banks, in order to stay competitive, responded with their own hikes, adversely affecting lending, commodity prices, and bond prices. Biddle's cotton plan, moreover, did not materialize. Egypt and India kept sending large shipments of cotton to England, thwarting Biddle's plan to inflate its price.[58] The British press denounced Biddle's plan as a monopolistic and manipulative trade practice. In March 1839, the BUSP again suspended specie payments, leading to bank failures throughout the rest of the nation. Although 1839 was only a partial suspension, contrasting with the full suspension of 1837, it showed that recovery would not be coming anytime soon.[59]

Among historians and political scientists, Martin Van Buren usually does not rank in the list of top ten greatest presidents, and his response to the panic might be one reason why. From the standpoint of political ideology, as a states' rights man, Van Buren did not believe that it was the proper role of the national government to help the indebted or the unemployed. Many states enacted relief and bankruptcy laws that were generous to debtors, but Congress and the president, until 1841, rejected all proposals to use the national government to address the economic crisis.[60] Van Buren's key contribution to the nation's political economy was the independent Treasury, which, in keeping with Jackson's belief that financial institutions should not appropriate public money for private gain, separated the fiscal responsibilities of the government from individuals and private businesses. This system held government funds in several subtreasuries across the country, accepting and disbursing only silver and gold coin.[61]

With a Whig president and Congress coming to Washington in 1841, Americans gained some reprieve from the crippling debts of panic through the National Bankruptcy Act. This legislation allowed federal courts to stop chaotic deleveraging and rationalize the process of debt liquidation and financial recovery. A court-appointed agent would sell a debtor's property, distribute the proceeds to creditors, declare the debtor free from debt, and allow him to start a new business.[62] In just a few months, the Bankruptcy Act forgave half a billion dollars in debt to more than one million creditors. If fully implemented, the

Act may have continued to unleash economic energy that was otherwise tied up in lengthy legal disputes, thereby limiting the panic's devastation, but President Harrison died after only one month in office and the Jacksonian Democrats recaptured Congress in 1842. They repealed the law with President Tyler's signature, and the process of debt collection continued.[63]

The third and final phase of this protracted economic saga involved another financial crisis, a collapse in state bond markets, a repudiation of state debts, and another round of bank failures. In April 1841, after announcing its third suspension of specie payments, the BUSP closed for good, triggering the failure of several Philadelphia banks and many others in the South and West.[64] Biddle had invested too heavily in internal improvement projects, which required large sums of cash up front but did not realize profits for many years, assuming they profited at all. Size, operational efficiency, and the volume and speed of traffic were among the factors that could aid or imperil a canal project's profitability. Because canal profits were tenuous, investors relied to a significant degree on state subsidies.[65] But while advantageous for raising capital and dispersing risk, subsidies also caused large budget deficits. Even during the early years of panic, surprisingly, the canal boom continued. Total state debt jumped from $14 million in 1830 to $81 million in 1835 to $198 million in 1841, approximately half of which was owned in Great Britain.[66]

Excessive spending on internal improvements and the collapse of state banks contributed to a financial crisis in 1842. As an expression of investors' fears that individual states would be unable to pay back their debts, bond yields spiked, first in the United States, and then later in Great Britain. The state bond market collapsed. By the summer of 1842, eight states and the Florida territory were in default of their debts. Mississippi, Arkansas, and Florida repudiated outright, provoking the outrage of British creditors.[67]

The South's property banks, unable to meet the scheduled interest payments on the bonds that capitalized them, fell victim to the carnage, imposing large losses to bond and note holders.[68] Here was a lesson that financial institutions that provided easy credit based on an illiquid asset—land—were untenable, particularly when land values, effectively the bottom layer in a house of cards, collapsed. Regions with the most highly leveraged financial institutions—the Old Northwest and Old Southwest—suffered the most during the panic years. To recoup their losses from actors who owed them money, northern banks and European investors unwittingly became owners of assets that were the easiest to sell under duress: human beings.[69]

Consequences, Post-1843

Americans in the unsettling aftermath of the Panic of 1837 cemented the ideological differences between their two major political parties (the Democrats and Whigs), increased the police powers of the state, reexamined the importance of regulations and public spending to provide for the common good, pioneered new theoretical models for analyzing the larger economy, and debated how fiscal and monetary authorities should respond to economic crises. Anger over high food prices, anti-rent protests, labor activism, urban race riots, and other public disturbances provoked essential conversations regarding direct democracy and popular sovereignty on the one hand, and law and order and the protection of property on the other.[70] State and municipal authorities responded to the unrest by calling up militias and by imposing martial law. Since these measures sometimes failed to provide a swift and satisfactory end to the riots, authorities began calling for more professionalized police forces and the strengthening of federal power vis-à-vis state power. In addition, the panic reignited older class and sectional tensions that, in some ways, presaged the tumultuous and irreconcilable conflicts of the 1850s.[71]

Outraged by the default of American state debts that they had financed, British investors lobbied for financial stringency in the United States and slammed Americans as profligate deadbeats in literary culture. State leaders wishing to resume payments on their bonds and restore financial stability abandoned their support for state-financed internal improvements and banks, imposed borrowing limits, privatized postal carriers, increased property taxes, and adopted other constitutional restrictions. Laissez-faire gained wider currency in the northern states as a viable theory of political economy. Corporations, which had traditionally served a public function with strict limits under English common law, assumed broader powers, won legal immunities in court, and came to increasingly prioritize the interests of private stockholders. The panic demonstrated that state-sponsored canal projects were susceptible to corruption, wasteful spending, budget deficits, increased taxes, and even debt defaults, which created an opening for advocates of private funding mechanisms. Before the Civil War, state and municipal governments assumed about 70 percent of costs for canal construction, but private investment for the building of a newer form of transportation—railroads—accounted for the same percentage.[72]

Lest one leave with the impression that the post-1837 years were a bastion of laissez-faire liberalism with an absolutist commitment to limited government and low taxes, public investment in transportation at the state and local level remained strong in the southern states.[73] Americans did not, from an ideological standpoint, actively embrace free markets for their efficiency or superiority; rather, they had seen government-led efforts fail and were ready to try a different course.[74] The wealthiest titans of industry found in laissez-faire a convenient justification for economic inequality, but regulation, expectations for ethical behavior, duties, morality, civic virtue, self-sacrifice, and providing for the general welfare—ideas and values traditionally associated with classical republicanism—were by no means extinct by the Civil War era and Gilded Age.[75] In other words, it was not a question of *whether* governmental regulations existed, but *for whom* those regulations worked.

Along these lines, Americans and Britons searched for new theoretical models to make sense of the tremendous economic dislocation that they had just endured. The field of political economy expanded to include more complex theories of business cycles and statistical analyses. Many of the issues debated by economic theorists at the time have remarkable currency today (pardon the pun). The Bank of England’s bailout of the “Three W’s” led to a laissez-faire backlash and contributed to a vibrant discussion on the merits of rescuing businesses that had taken on too much risk.[76] The debates between Biddle and Gallatin over the benefits of specie resumption in 1838 bear a striking similarity to the 21st-century ones over the wisdom of austerity, as opposed to fiscal stimulus, during times of economic malaise. One side holds that reducing debts to inspire the elusive character of confidence is its own end and should be pursued regardless of the consequences. The other side believes that reducing debt during a depressed economy takes money out of circulation and is ultimately counterproductive—leading to deflation and further reductions in spending and investment. Biddle occupied the latter position, leading some historians to cast him as an innovative, proto-Keynesian thinker who saw the value in regulation, flexibility, and the common good.[77]

Early 1842 was the nadir of the depression in the United States. 1843 saw signs of recovery. The panic invigorated calls for territorial expansion, which many Americans regarded as key to prosperity and preventing future panics. Expansionists set their eyes on Texas and California. Much as they did in 1898, expansionists propagated the “safety valve” theory, positing that a growing economy like the United States had overproduced beyond its capacity to consume and therefore needed more markets to survive. They got their wish with the US–Mexican War, which some historians have linked with the panic.[78] White southerners generally applauded the opportunity to acquire more territory for slaves, but other Americans, particularly in New England, saw an immoral and imperialist power grab.

The end of the 1840s proved fortuitous for the United States in terms of its economy, its self-image, and international reputation. The acquisition by force of such a large swath of Mexico’s territory, according to modern standards, provides a fairly clear case of empire building, but many Americans at the time believed the war revived the nation’s spirits and redeemed the American experiment in democratic self-government, which the panic had called into question. Only a few days after the signing of the Treaty of Guadalupe Hidalgo in February 1848, by which the United States annexed approximately one-half of Mexico's northern territory, news arrived in Washington of a gold strike in California. Prodigious output from the gold mines fueled the printing of paper money, which benefited a nation and world reeling from deflation and depression. At about the same time, continental Europe became engulfed in revolution. After recently lambasting Americans' failures to pay their state debts, Europeans now looked again to the United States as a safe haven for investment. The young nation now owned territory reaching to the Pacific Ocean and re-entered international money markets.[79]

Most regions in Latin America did not experience a post-1837 decline and mid-1840s recovery along the lines of what occurred in the United States and Great Britain. While Mexico, Argentina, Spanish-led Cuba, and Brazil generally accumulated trade surpluses throughout the 19th century as the price of imported British and American-made manufactured goods dropped, sustained economic growth was a persistent problem.[80] Significant investment in railroads and the establishment of non-foreign, state-sponsored financial institutions did not occur until the 1860s. Compared to the rapid economic expansion of the United States and northern Europe, Latin America fell far behind. In Mexico, the best estimates suggest that GDP per capita declined in the first few decades after independence and did not reach the growth levels of the colonial period until the late 19th century.[81] This made debt payments more difficult. Mexico's foreign debt of thirty-two million pesos in 1825 nearly doubled in a twenty-year period. Of the $15 million indemnity that Mexico received from the United States as part of the Treaty of Guadalupe Hidalgo, most of this sum went to pay British bondholders.[82] Historians and economists have attributed Mexico's lackluster growth to high tariffs; naval blockades; repeated foreign invasions from the United States, Spain, Great Britain, and France; and the failure of the Spanish colonial elite to establish institutions that protected property and human rights, but domestic disturbances were also important. Mexico's relatively weak state was unable to contain the frequent rebellions waged by rural peasants who were angered by *hacendado*-led land seizures, while divisive political disputes among the nation's conservatives, liberals, authoritarians, radicals, and monarchists undermined the unity required to successfully rebut foreign meddling.[83]

Discussion of the Literature

From the mid-19th to the early 21st century, historians and economists have balanced the domestic and international origins of the panic. Beyond the contested interpretations relating to the panic's causes, a few of the recurring questions in the literature have been the following: How severe was the panic and how long did it last? How different were the American and British experiences of panic? Could wiser policies have prevented it? Prior to the 1960s, scholarly work, written mostly by historians, tended to prioritize conflicts over party politics, but by no means did these studies ignore international trade.[84]

Peter Temin's *The Jacksonian Economy*, published in 1969, established a new orthodoxy stressing international factors while minimizing domestic ones. Temin, like Hugh Rockoff and George Macesich, was part of a generation of economists and economic historians who practiced *cliometrics*—the application of statistical models to the study of history.[85] Jackson and Biddle, Temin argued, were not primarily responsible for the panic because they did not cause the preceding boom. The panic's origins could be found, rather, in the international movement of specie linking Mexico, China, and Great Britain.[86] Temin's work was, for all intents and purposes, the standard account of the panic and remained so for the rest of the 20th century. But recently, a number of scholars from economics backgrounds have poked significant holes in Temin's thesis and brought renewed focus to the panic's American origins.[87]

Two recent monographs, Alasdair Roberts's*America's First Great Depression* (2012) and Jessica Lepler's *The Many Panics of 1837* (2013), show us that an Atlantic world focus, rather than one dealing exclusively with American sources, remains essential, and further, that periodization is by no means settled: the former's long-term view examined international and domestic factors lasting all the way until 1848, while the latter focused mostly on the early months of 1837. In examining novels, treatises, songs, plays, jokes, and the meaning of language that people used, Lepler notably brings a cultural approach to an issue long dominated by economists and economic historians looking at raw data. She is interested in how Americans and Britons experienced a series of commercially linked yet separate individual panics in real time—panics that were set in motion by individuals' moral decisions and made worse by delays in communication—rather than the politicized, nationwide event that American history textbooks constructed after the fact.[88]

Edward L. Baptist and Sven Beckert have located the 1830s booms in land, cotton, and slaves within the long-term spans of American and global history through their pioneering work in the history of capitalism subfield. The industrial revolution, they appropriately remind us, was based much more on slave labor, subjugation, torture, armed trade, expropriation of land, depopulation of indigenous peoples, and imperialism rather than the traditionally benign explanations of classical liberalism, Enlightenment rationalism, rule of law, property rights, financial institutions, and limited government.[89] In short, early capitalism was violent and coercive at its core. Few possess the ambition, skills, knowledge, and breadth, as Beckert does in *Empire of Cotton* (2014), to synthesize generations of scholarship from multiple countries and multiple languages to understand the modern world. Meanwhile, one of Baptist's more provocative insights in *The Half Has Never Been Told* (2014) lies in linking torture, brutality, sexual humiliation, surveillance, and cotton production quotas with the increased efficiency characteristic of modern capitalism. In addition to undermining the myth of the "nice" slave owner, this conclusion contests the assumption that efficiency is tied to rational incentives and upends older interpretations placing slavery at odds with democracy and modernity.[90]

The critical perspective evident in the work of Baptist and Beckert is a welcome addition to a literature that often contains a rosier, more euphemistic reading of property banks and Baring Brothers's role in British imperialism.[91] Baptist opts for the word "enslaver" rather than "planter," and "labor camp" rather than "plantation." Instead of "mercantilism," Beckert calls "war capitalism" the land and labor system relying on violent expropriation and imperialism that amassed the wealth and set the stage for the later industrial revolution. Like Lepler, Baptist brings the panic to life—humanizing it and adding an emotional element to cold statistics. In addition, Baptist urges readers to integrate slavery into the mainstream narrative of American history instead of relegating it to a subfield or a token chapter in a textbook. For him, the expansion of slavery was central to how the United States became powerful.[92]

Primary Sources

Because the accounting, trade, and financial terminology of the era can be abstract, highly technical, obscure, and difficult to grasp due to the lack of modern parallels, researchers should first consult some of the treatises written by financial theorists and moral economists. Condy Raguet's *A Treatise on Currency and Banking* (1840) and John Ramsay McCulloch's *Commercial Dictionary* (1832) are useful places to start. They explain the theory and practice behind bills of exchange and other credit instruments. Other works by financial theorists such as **George Tucker**, **Nathan Appleton**, and **William Gouge** reinforce many of these themes and are available for free download on Google Books.

Much can be gained from examining the correspondence of Philadelphia financier and BUS president Nicholas Biddle. Reginald Charles McGrane's transcriptions of some of Biddle's most important letters, compiled for an edited volume, can provide students with a suitable introduction.[93] While the business records of the BUS were destroyed around the time of its collapse in 1841, Biddle's correspondence with numerous lawmakers, financial theorists, newspaper editors, financiers, and other miscellaneous figures is available on fifty-one reels of microfilm, stored in the Manuscript Division of the Library of Congress in Washington, DC. A finding aid is included. Copies of letters demonstrating Biddle's response to President Jackson's attack on the Bank as well as tabular statements showing some of the Bank's assets and liabilities are among the microfilm's contents. Other manuscript collections containing much smaller samples of Biddle's letters are scattered throughout the United States, including the Louisiana State University library in Baton Rouge, Louisiana, as well as the Historical Society of Pennsylvania and the Independence National Historic Park—both of which are located in Philadelphia.

In Great Britain, scholars can visit the Bank of England Archive, the Rothschild Archive, and the Baring Archive in London. The family papers, business records, and diaries of Thomas Wren Ward, the American agent for Baring Brothers, are contained at the Massachusetts Historical Society in Boston. The Library of Congress's **A Century of Lawmaking For a New Nation** enables digital keyword searches for all congressional documents and debates from 1774 to 1875, available in multiple formats, including the *Register of Debates*, published by newspaper editors Joseph Gales Jr. and William Seaton, as well as the *Congressional Globe*, published by editors Francis P. Blair and John C. Rives. The texts are not always exact replications of the spoken word as uttered by historical actors, but they are extensive, contain useful and informative speeches, and reveal statistics and information that cannot be found elsewhere.

The American Antiquarian Society in Worcester, Massachusetts, and the Library Company of Philadelphia are home to vast collections of engravings, lithographs, pamphlets, paintings, newspapers, periodicals, political cartoons, bank notes, broadsides, ephemera, credit instruments, and other printed material. For those interested in deeply researching this topic, the National Archives in College Park, Maryland (NARA II), contain all US Treasury Department records. A few historians have examined the bankruptcy records in the US District Court for the Southern Federal District of New York, located at the New York City branch of the National Archives Northeast.

Newspapers are indispensable for any student of this era. Since this was the heyday of the Jacksonian-era partisan press in the United States, accounts are not always reliable, but there are commercial newspapers such as *Niles' Weekly Register* that provide valuable bank balance sheets and other information on trade and finance. The *London Times*; the *National Intelligencer*; and a commercially oriented periodical, *Hunt's Merchants Magazine*, are helpful. Digitization and keyword searches are getting better with each passing year, and most university libraries pay for access to electronic databases and search engines. **Readex** and **ProQuest** are two useful options.

Links to Digital Materials

The Papers of Martin Van Buren.

Measuring Worth is a useful site for calculating GDP, wages, inflation, exchange rates, and other economic statistics from the late 18th century to the present.

EH.net contains links to economic history associations, course syllabi, conferences, book reviews, datasets, and related material.

Images and Multimedia

Lithograph: Henry Robinson, "**Fifty Cents. Shin Plaster**," Library of Congress.

Lithograph: Edward Williams Clay, "**The Times**," Library of Congress.

Further Reading

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Notes:

(1.) “Merchant” was a generic term that could refer to a range of specific occupations, including a traveling peddler, an owner of a country store, a dry-goods retailer, an exporter, a wholesale jobber devoted to one particular line of goods, or an importer.

(2.) The closest modern equivalent to a bill of exchange is an international check. Bills of exchange could pass from hand to hand, but unlike bank notes, they required endorsements, or signatures, for each transaction. Condy Raguet, *A Treatise on Currency and Banking* (Philadelphia: Crigg and Elliot, 1840). In the accounting parlance of the times, “drawn on” or “drawn against” meant that the credit instrument, once negotiated or cashed, would deduct funds from that particular locale. A bill “drawn on New Orleans” would deduct funds from a financial institution in New Orleans. The author wishes to thank the historian Robert E. Wright for patiently explaining the intricacies of this labyrinthine credit system.

(3.) Peter Austin, *Baring Brothers and the Birth of Modern Finance* (London: Pickering and Chatto, 2007), 19.

(4.) The United States exported silver to China because the Chinese had little interest in buying US-produced goods. The silver coming out of China in the 1830s consisted of silver sycee while silver imported into China was primarily Spanish American silver pesos. Alejandra Irigoin, “The End of a Silver Era: The Consequences of the Breakdown of the Spanish Peso Standard in China and the United States, 1780s–1850s,” *Journal of World History* 20.2 (June 2009), 219.

(5.) Ibid., 220–224, 234–239.

(6.) Austin, *Baring Brothers*, 60–64, 146.

(7.) Ibid., 20.

(8.) Ibid., 26.

(9.) Barings was inactive in Latin America during the 1830s. But by the late 1840s, the firm reestablished ties with Uruguay and Argentina. Austin, *Baring Brothers*, 82, 211–216.

(10.) Ibid., 31.

(11.) Internal improvements usually referred to infrastructure projects like roads, turnpikes, canals, railroads, the widening of a river, or the creation of a harbor.

(12.) Jessica M. Lepler, *The Many Panics of 1837: People, Politics, and the Creation of a Transatlantic Financial Crisis* (New York: Cambridge University Press, 2013), 17.

(13.) Edward L. Baptist, *The Half Has Never Been Told: Slavery and the Making of American Capitalism* (New York: Basic Books, 2014), 238–240; and Sven Beckert, *Empire of Cotton: A Global History* (New York: Alfred A. Knopf, 2014), 217–223.

(14.) Austin, *Baring Brothers*, 145.

(15.) Ibid., 147–182.

(16.) Jane Knodell, “Rethinking the Jacksonian Economy: The Impact of the 1832 Bank Veto on Commercial Banking,” *Journal of Economic History* 66.3 (September 2006): 542.

(17.) Ibid., 547–558.

(18.) Lepler, *The Many Panics of 1837*, 23; and Howard Bodenhorn, *State Banking in Early America: A New Economic History* (New York: Oxford University Press, 2003), 291.

(19.) Bodenhorn, *State Banking in Early America*, 221. There are five to six different names employed in the literature to describe essentially the same type of financial institution: property bank, land bank, plantation bank, real estate bank, and mixed mortgage-commercial lender. Edward L. Baptist uses the term “CAPL-style bank” because the first model was the Consolidated Association of the Planters of Louisiana, chartered in 1827. *The Half Has Never Been Told*, 244–249.

(20.) Bodenhorn, *State Banking in Early America*, 253.

(21.) Bodenhorn, *State Banking in Early America*, 249. Baptist, *The Half Has Never Been Told*, 245–292.

(22.) Beckert, *Empire of Cotton*, 220–223.

(23.) Bodenhorn, *State Banking in Early America*, 249; and Baptist, *The Half Has Never Been Told*, 245–249.

(24.) Reginald C. McGrane, “Aspects of American State Debts in the Forties,” *American Historical Review* 38, no. 4 (July 1933): 673–686; and Bodenhorn, *State Banking in Early America*, 249.

(25.) Baptist, *The Half Has Never Been Told*, 269.

(26.) 1836 was an outlier year in terms of federal receipts. Normally customs duties (tariffs) provided 80–90 percent of federal revenue during this era.

(27.) Peter Rousseau, “Jacksonian Monetary Policy, Specie Flows, and the Panic of 1837,” *Journal of Economic History* 62.2 (June 2002): 463; and Thomas Payne Govan, *Nicholas Biddle: Nationalist and Public Banker 1786–1844* (Chicago: University of Chicago Press, 1959), 302.

(28.) Congress repealed the Specie Circular in May 1838. Austin, *Baring Brothers*, 181.

(29.) Ibid., 122.

(30.) Bray Hammond, *Banks and Politics in America, from the Revolution to the Civil War* (Princeton, NJ: Princeton University Press, 1957), 453.

(31.) Austin, *Baring Brothers*, 108–113.

(32.) Lepler, *The Many Panics of 1837*, 54.

(33.) Austin, *Baring Brothers*, 149–150; and Hammond, *Banks and Politics in America*, 461.

(34.) Austin, *Baring Brothers*, 47, 141.

(35.) Beckert, *Empire of Cotton*, 201.

(36.) Austin, *Baring Brothers*, 90, 156; and Beckert, *Empire of Cotton*, 133, 223.

(37.) Lepler, *The Many Panics of 1837*, 27.

(38.) Hammond, *Banks and Politics*, 459.

(39.) Austin, *Baring Brothers*, 159; and Lepler, *The Many Panics of 1837*, 109.

(40.) Lepler, *The Many Panics of 1837*, 121.

(41.) Lepler, *The Many Panics of 1837*, 210.

(42.) See Raguet, *A Treatise on Currency and Banking*.

(43.) Austin, *Baring Brothers*, 170.

(44.) Ibid., 56, 169.

(45.) Govan, *Nicholas Biddle*, 316–319; and Lepler, *The Many Panics of 1837*, 208.

(46.) David Meyer, *The Roots of American Industrialization* (Baltimore: Johns Hopkins University Press, 2003), 127.

(47.) Ibid., 142. Lepler points out that GDP estimates, which attempt to capture the size and output of an economy involving countless variables, are largely 20th-century tools designed to describe 20th-century economies. Early 19th-century Americans did not have a sense of the larger economy as we know it today and thus imposing 20th-century models on 19th-century phenomena runs the risk of being ahistorical. Lepler, *The Many Panics of 1837*, 195, 235–250.

(48.) George D. Green, *Finance and Economic Development in the Old South: Louisiana Banking, 1804–1861* (Stanford, CA: Stanford University Press, 1972), 3.

(49.) Rousseau, "Jacksonian Monetary Policy," 457.

(50.) Austin, *Baring Brothers*, 157–159.

(51.) Lepler, *The Many Panics of 1837*, 141, 232; and Govan, *Nicholas Biddle*, 402.

(52.) 1840 United States Federal Census, University of Virginia Library, Historical Census Browser, 2004, http://mapserver.lib.virginia.edu/php/start.php?year=V1840.

(53.) Govan, *Nicholas Biddle*, 326; Hammond, *Banks and Politics*, 482.

(54.) Govan, *Nicholas Biddle*, 308.

(55.) Ibid., 320–323.

(56.) Ibid., 323.

(57.) Austin, *Baring Brothers*, 176.

(58.) Ibid., 175.

(59.) Lepler, *The Many Panics of 1837*, 231; and Govan, *Nicholas Biddle*, 374.

(60.) Govan, *Nicholas Biddle*, 372.

(61.) Lepler, *The Many Panics of 1837*, 220.

(62.) The federal bankruptcy law of 1841 generated income and employment opportunities for a number of different professions, including office seekers, court officials, newspaper editors, clerks, attorneys, judges, and bankruptcy officials. Benefiting from others' financial ruin through inside information, which at least one historian has characterized as an early form of "vulture capitalism," had, by the late 19th century, become an increasingly acceptable feature of the American economy, even if the stigma surrounding it endured. Edward Balleisen, "Vulture Capitalism in Antebellum America: The 1841 Federal Bankruptcy Act and the Exploitation of Financial Distress," *Business History Review* 70, no. 4 (Winter 1996): 473–516; and *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America* (Chapel Hill: University of North Carolina Press, 2001).

(63.) Baptist, *The Half Has Never Been Told*, 279.

(64.) Govan, *Nicholas Biddle*, 393.

(65.) Harry N. Scheiber, *Ohio Canal Era: A Case Study of Government and the Economy, 1820–1861* (Athens: Ohio University Press, 1969), 49–52.

(66.) Namsuk Kim and John Joseph Wallis, "The Market for American State Government Bonds in Britain and the United States, 1830–43," *The Economic History Review* 58.4 (November 2005): 737.

(67.) Kim and Wallis, “The Market for American State Government Bonds,” 737–739, 755; and Baptist, *The Half Has Never Been Told*, 291.

(68.) Bodenhorn, *State Banking in Early America*, 221–258.

(69.) *New Orleans Daily Picayune*, February 23, 1842, quoted in Kathryn T. Abbey, “The Union Bank of Tallahassee: An Experiment in Territorial Finance,” *Florida Historical Quarterly* 15.4 (April 1937): 207–231; Bodenhorn, *State Banking*, 251; and McGrane, “Aspects of American State Debts in the Forties,” 673–686.

(70.) Robert E. Shalhope, *The Baltimore Bank Riot: Political Upheaval in Antebellum Maryland* (Champaign: University of Illinois Press, 2009); and Alasdair Roberts, *America’s First Great Depression: Economic Crisis and Political Disorder After the Panic of 1837* (Ithaca, NY: Cornell University Press, 2012), 138.

(71.) Roberts, *America’s First Great Depression*, 98.

(72.) John Lauritz Larson, *Internal Improvement: National Public Works and the Promise of Popular Government* (Chapel Hill: University of North Carolina Press, 2001), 193–233; and Songho Ha, *The Rise and Fall of the American System, 1790–1837* (London: Pickering and Chatto, 2009), 130.

(73.) The regional disparity in the United States over private investment of transportation had much to do with the presence of slavery and southern soils, both of which discouraged the growth of large towns necessary for the accumulation of investment capital, thus, making state or mixed public-private funding attractive in the South. John Majewski, *Modernizing a Slave Economy: The Economic Vision of the Confederate Nation* (Chapel Hill: University of North Carolina Press, 2009).

(74.) Larson, *Internal Improvement*, 229.

(75.) William Novak, *The People’s Welfare: Law and Regulation in Nineteenth Century America* (Chapel Hill: University of North Carolina Press, 1996), ix, 3–36.

(76.) Lepler, *The Many Panics of 1837*, 146–147, 173–177, 204, 242.

(77.) Hammond, *Banks and Politics*, 541.

(78.) Sam W. Haynes, *James K. Polk and the Expansionist Impulse*, 2d ed. (New York: Longman Books, 2002), 61; and Roberts, *America’s First Great Depression*, 175–201.

(79.) Roberts, *America’s First Great Depression*, 195–199.

(80.) John H. Coatsworth and Jeffrey G. Williamson, "Always Protectionist? Latin American Tariffs from Independence to Great Depression," *Journal of Latin American Studies* 36.2 (May 2004): 226; and Linda K. Salvucci and Richard J. Salvucci, "Cuba and the Latin American Terms of Trade: Old Theories, New Evidence," *Journal of Interdisciplinary History* 31.2 (Autumn 2000): 200–207.

(81.) Carlos Marichal, "Banking History and Archives in Latin America," *Business History Review* 82.3 (Autumn 2008): 585–602; and John H. Coatsworth, "Structures, Endowments, and Institutions in the Economic History of Latin America," *Latin American Research Review* 40.3 (October 2005): 128.

(82.) Richard J. Salvucci, "Santa Anna Never Had an iPhone: Some Thoughts on the Price of Peace and the Financial Misfortunes of the Treaty of Guadalupe Hidalgo in 1848," *Journal of the Historical Society* 9.1 (March 2009): 76.

(83.) John H. Coatsworth, "Inequality, Institutions, and Economic Growth in Latin America," Journal of Latin American Studies 40.3 (August 2008): 545–569. Coatsworth and Williamson argue that in young, recently independent countries with few resources for tax collection and limited access to foreign capital markets, tariffs often make the most rational choice for raising revenue to support defense and civil administration. Coatsworth and Williamson, "Always Protectionist?" 206–217; and Michael P. Costeloe, "Mariano Arizcorreta and Peasant Unrest in the State of Mexico, 1849," *Bulletin of Latin American Research* 15.1 (1996): 63–69.

(84.) Leland H. Jenks, Walter B. Smith, Bray Hammond, and Thomas P. Govan all addressed international elements in their works.

(85.) Knodell, "Rethinking the Jacksonian Economy: The Impact of the 1832 Bank Veto on Commercial Banking," *Journal of Economic History* 66.3 (September 2006): 541.

(86.) Peter Temin, *The Jacksonian Economy* (New York: W. W. Norton, 1969), 16–22.

(87.) Jane Knodell, Alejandra Irigoin, Peter Rousseau, Richard H. Kilbourne Jr., and John J. Wallis have all challenged Temin's thesis.

(88.) Lepler, *The Many Panics of 1837*, 192.

(89.) Baptist, *The Half Has Never Been Told*, xviii; and Beckert, *Empire of Cotton*, xiv–xv.

(90.) Baptist, *The Half Has Never Been Told*, 112–122.

(91.) Consider, for example, the use of the term “innovative” to describe the “mixed mortgage-commercial lender” that collateralized slaves. Bodenhorn, *State Banking in Early America*, 289.

(92.) Baptist, *The Half Has Never Been Told*, xxi.

(93.) Reginald Charles McGrane, ed., *The Correspondence of Nicholas Biddle: Dealing with National Affairs, 1807–1844* (Boston: Houghton Mifflin, 1919).

Stephen W. Campbell

Department of History, California State Polytechnic University, Pomona