"'A Disposition to Seize and Divide': A Transatlantic Financial Panic over United States State Debt Default in the 1840s"

David K. Thomson
Associate Professor of History
Sacred Heart University (USA)

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Abstract: While bonds may not strike a twenty-first century mind as the greatest financial risk, debt at the federal and state level came with many dangers in the 19th century. As United States debt of all varieties (federal and state) became more prominent in the 19th century, there came a realization that debt and potential debt default impacted larger swaths of the populace than ever before. In antebellum America, northern and southern states leveraged the increasing importance of canals, railroads, and cotton as a commodity to pursue economic growth. What resulted was an explosion in financial entities underwriting debt in a variety of forms. Among the most notable of these financial securities was state debt underwritten by state banks. Various state legislatures chartered these banks to underwrite the debt and in doing so led to a drastic expansion in debt. By 1840, said debt reached more than $170 million. But then it came crashing down. Eight states and one territory (Florida) all defaulted for varying degrees of time in the 1840s. The state of Mississippi even fully repudiated their debt. Such actions had tremendous implications not only for states, but likewise for the federal government. After failing to successfully have the federal government intervene, European banking houses- led by the London based Baring Brothers & Co., hired agents stateside to force states to "come right." This paper demonstrates through the case studies of Louisiana, Mississippi, and Pennsylvania that through the use of these agents, European financial institutions forced the hand of a number of state legislatures. The examination of this transatlantic financial panic via these historical actors who experienced these events offers one window into examining a topic that has been the subject of significant quantitative work. These episodes of debt default and repudiation offer a fascinating window into the contestation of federalism over nationalism in this era. The challenges to state sovereignty by European banks reflect a continued dependence of many U.S. states on European capital and a post-colonial state dynamic well into the 1840s.

By 1844, Reverend Sydney Smith—the canon of St. Paul's Cathedral in London—had invested £1,000 in Pennsylvania state debt. The Commonwealth of Pennsylvania, however, refused to honor their interest and principal payments on said debt and the minister and former editor of the *Edinburgh Review* fumed at the decision. The action (or rather inaction) on the part of Pennsylvania inspired Smith to compose a petition to the United States Congress and pen numerous diatribes towards the Keystone state in the London press. "I never met a Pennsylvanian at a London dinner without feeling a disposition to seize and divide him," Smith proclaimed, "How such a man can set himself down at an English table without feeling that he owes two or three pounds to every man in company I am at a loss to concede; he has no more right to eat with honest men than a leper has to eat with a clean man." British Poet Laureate William Wordsworth, also a holder of Pennsylvania debt, wrote two poems in the 1840s entitled "To the Pennsylvanians" and "Men of the Western World" denouncing what one historian called Pennsylvania's "financial and moral infidelity." At the time, Pennsylvania's outstanding state debt of approximately $34 million ($30.5 billion in today's money) served as one of several U.S. states that defaulted on debt obligations in the antebellum period. Beyond defaulting on payments, other states partially or fully repudiated (ceased to honor) their debt. In doing so, these states threatened the future credit not only of their own states, but of all the states in the Union, as well as tarnishing the standing of the federal government with international creditors.[1]

The complaints of Smith and Wordsworth echoed the concerns of many other European holders of U.S. state debt in the antebellum period. This criticism followed an immense appetite for U.S. debt abroad. Such interest led to an overall increase in the quantity of U.S. debt held in European hands in the 1830s. In 1830, total U.S. state indebtedness numbered some $26.4

million. By 1835 it reached $66.5 million at a time when U.S. Federal debt stood at zero for a period of two years. But the years 1835-1840 witnessed an even greater expansion of said state debt to more than $170 million. By the late 1830s and early 1840s, U.S. state debt circulated among the British and Dutch, but also the French, Portuguese, and increasingly the German and Swiss among others. The investors also counted in their rank's individuals in South America and Asia. By the 1830s, U.S. state securities established themselves as a valuable commodity in Europe and extended beyond wealthier European portfolios to the public. Newspaper reports noted these bonds interested "small capitalists and families innumerable." U.S. bonds could yield six or even seven percent—a significant departure from European bonds more commonly garnering interest closer to three percent. The acts of default and repudiation that emerged in the early 1840s, therefore, presented a situation with ramifications that echoed across the globe.[2]

In the 1830s, many states relied on borrowing in order to facilitate economic development. The lack of spending on the part of the federal government necessitated such action. As laid out by Mira Wilkins, Jay Sexton, William English, Richard Sylla, John Wallis, and Alasdair Roberts among others, such actions entailed not only financing internal improvement projects, but also state-owned banks. Such growth and stable return on investment likewise drew the interest of European financiers as well. Many American banks coordinated with European financial houses to facilitate these bond sales abroad. New York based Prime, Ward and Company acted as the American agent for London based Baring Bank and their close ally Hope & Co. located in Amsterdam. From the late 1830s onward, New York based financier August Belmont acted as the American agent for the Rothschilds with major offices in London, Paris, and Frankfurt. S.V.S Wilder acted as the American agent for Paris based Hottinguers. Even Nicholas Biddle's Bank of the United States (later under a Pennsylvania state charter) acted as a vital agent of American debt abroad. Hope & Co. marketed bonds of various American states and municipalities such as New York City, Boston, and even Mobile, Alabama. In London the interest in American state securities was split between Baring Brothers, N.M. Rothschild and Sons, and Frederick Huth and Co., although other banks also invested. In the summer of 1838, Congressman James Garland placed the amount of debt held abroad at $65 million. Still other estimates indicated that just a year later somewhere between $110-$165 million in state stock could be located in Britain alone. Florida and Arkansas found more than half of their respective debts overseas and other states chose to denominate their bonds in pounds to more easily market them in Europe. Such states included Georgia (~70% of their debt), Louisiana (90%), and Maryland (~50%).[3]

In the early 1840s, the intricate structure of U.S. state debt collapsed like a fragile house of cards. Overextended states could no longer make their interest payments to creditors and refusal to do things like raise sufficient tax revenue only served to complicate matters. What happened afterwards troubled investors within the United States and abroad. Eight US states and one future state (the territory of Florida) defaulted on their debts while another five states barely avoided default. The U.S. state debt financial crisis of the early 1840s is an often overlooked, but nevertheless critical affair for understanding a default crisis that consumed an array of states- with only a slight impact on the federal government. Some scholars have quantitively pointed to the fact that land sales, land values, and delays in property tax imposition played a large role in these defaults. Yet, beyond that I am also interested in *why* and *how* these states (mostly) "came right" and resumed payment. In the end, it was the active role taken by European banks and their respective agents in the United States that stabilized some, but not all monetary obligations of various states in the pivotal decade of the 1840s. The depths of these actions to bring many states "right" by the early 1840s speaks to the overwhelming reliance of these states on European capital. This reliance on foreign capital ensured that a wide array of American states procured credit- credit that could then be accessed by speculators in land and human property. In creating such a system of foreign dependence with little federal oversight during the time period, many states found their economic and political independence challenged when repayment did not readily appear. State sovereignty found itself challenged not by the federal government but by the banks of London, Amsterdam, and beyond. British banks and their continental partners, therefore, exercised significant control over these disparate states in the Union in a way that the federal government tacitly endorsed through their inaction. In keeping with the work of Kariann Yokota and Sam Haynes, this exploration of state debt default reveals the power of financial imperialism over a post-colonial state across the Atlantic. The pursuit of profit through such action reflected the control exerted by British banks over former colonial subjects, in a way that monarchs, politicians, and military actors failed to achieve.[4]

This episode in state debt default and intervention on the part of European capitalists is likewise part of an ongoing conversation in the literature pertaining to American political economy and perceptions of a susceptible or corruptible democracy. The state debt sagas of the 1840s reflects a continuation of questionable acts, unscrupulous lobbying, blurred economic boundaries, and outright bribery that historians such as Brian Murphy and Hannah Farber have laid out in the Early Republic period. Much like how corporations and marine insurance companies infused capital into the Early Republic, this article lays out how foreign bankers became a dominant tool of capital formation for various U.S. states. Likewise, this work links to the Reconstruction era "friends" that facilitated the explosion of the Railroad industry in the Reconstruction era as so ably illustrated in Richard White's *Railroaded*. In some sense the influence peddling facilitated by European banks merely reflects a continuation of one component of nineteenth century political economy. When federal intervention and moral appeals to politicians and the populace writ large proved ineffective, the efforts of international banking syndicates to go so far as to bribe individuals and shape restoration through such coercion ultimately won the day.[5]

While bonds may not strike a twenty-first century mind as the greatest financial risk, debt at the federal and state level came with many dangers in the 19th century. The threat of default by nation states or a change in governing structure that refused to recognize prior debt issuance still reigned. Questions surrounding debt default in the United States, for instance, circulated in the aftermath of the Revolution and only found resolution with Hamiltonian plans surrounding full funding and resumption. Furthermore, concerns over debt default in the Americas remained fresh in the minds of most Europeans. Latin American debt ballooned for banks, nations, and mining companies before it all came crashing down in the Panic of 1825. As noted by Leland Jenks, within two years of the Panic's onset in 1825 every South American nation minus Brazil found itself in default on their debts. Such defaults even extended to some European nations including Spain, Portugal, and Greece. Such events remained vivid in the minds of European financiers as they witnessed new debt issuances coming out of a variety of U.S. states North and South. This episode also speaks to larger evolutions of state finance in the West in the nineteenth century. As recently advanced in Trevor Jackson's *Impunity and Capitalism*, the early nineteenth century reflected the most recent phase of fiscal state evolution dating back to the seventeenth century. The new Atlantic World fiscal state in the wake of the Napoleonic Wars ushered in a new financial order. Such an approach framed the experience and actions of many U.S. states. But such events still reflected a nation in transition. Compared to its European contemporaries, the

U.S. government and associated states did not transition fully to a system blaming financial structures at the expense of individuals. Despite this key difference, the hemispheric appeal of the Americas remained for European investors in spite of the events of the 1820s and Panic of 1837. An exploration of Louisiana, Mississippi and Pennsylvania as respective case studies offers one such window into this financial panic.[6]

Louisiana

Before the financial crisis of the 1840s, the United States witnessed a tremendous amount of economic expansion in the 1820s and 1830s leading to an increase in banking in the American South. Cotton's rise and the related increase in credit demand led to the creation in several southern states of "property banks"- state chartered banking institutions that collateralized plantations and the enslaved. Various states engineered these state-backed mortgage bonds to help planters finance an expansion of their slave-centric business. Perhaps no state demonstrates this operation so clearly and on such a large scale than Louisiana. Louisiana chartered three property banks between 1827 and 1833. The Consolidated Association of the Planters of Louisiana (CAPL) chartered with a capital of $2.5 million, Union Bank ($7 million) and Citizens Bank ($12 million) all reflected a new form of banking in the South referred to by one contemporary as a combination of a "state loan office and an ordinary banking institution."[7]

The CAPL operated as the first of these banks receiving a charter in March 1827. The operation of this bank relied on capital generated through the sale of bonds in the bank. Planters in Louisiana mortgaged their plantations and enslaved persons in order to become shareholders in the CAPL. Once done, these planters could borrow from the bank up to 50% of property value in the form of local CAPL banknotes. These banknotes were in turn supported by a line of credit from Barings Bank in London. In return, Barings issued bonds (sent to them by the CAPL) to sell to clients in Europe to cover the credit line. These 5% interest bearing bonds came in denominations of $500 and $1,000. Finally and perhaps most crucially, while the CAPL operated as a private bank, the bonds issued by the CAPL bank were backed by the state of Louisiana who acted as a guarantor against mortgages on property. As highlighted by historian Ed Baptist, the purchase of a CAPL bond reflected "really the purchase of a completely commodified slave: not a particular individual, but a tiny percentage of the income flows derived from each one of thousands of slaves. The investor, of course, escaped the risk inherent in owning an individual slave, who might die, run away, or become rebellious." The 1832 charter of the Union Bank as well as the Citizens Bank largely operated under the same mechanisms. What assuaged the concerns of many investors, however, was undoubtedly the fact that the state of Louisiana secured these loans. Such confidence permeated the European financial markets that by the late 1830s, no American state relied on foreign capital as much as Louisiana. These state issued bonds on behalf of the banks found wild success abroad in London, Paris, Amsterdam, and beyond (but only after the state had guaranteed the bonds.)[8]

The European market quickly emerged as an area ripe with investors, although there remained grave concerns over the financial support of slave holding states. The London *Times* referred to the Union Bank of Louisiana's bond issuance (and Barings support) as a "very unpromising bargain." Despite these reservations, the mortgage property bonds served as an appealing opportunity for investment by European bankers in state-adjacent debt. Most notably, Louisiana differed from the bonds issued by states such as Maryland or Michigan because they did not rely on future revenue from the completion of a canal, for instance, in order to make payments. In other words, these bonds did not truly reflect a state debt, but rather a public debt issuance for what might be considered a semi-sovereign state.[9]

It's worth noting, however, that these investments were not just made on the whims of clients desires, but rather reflected deeper research on the part of a series of agents and in Barings perhaps there was no more important individual than Edmund Forstall. Forstall's history in Louisiana drew on his experience as a banker in New Orleans, as well as a planter and merchant. In fact, Forstall served early on as a member of the CAPL Board before his foreign connections to the Barings made him *persona non grata* with the CAPL board. Yet Forstall's knowledge proved to be an excellent resource of information for banks looking to examine the financial situation within Louisiana. Another major London Bank, the eminent Rothschild bank, received a report regarding Forstall prior to his arrival in 1835 to negotiate with the firm. "Mr. F is so thoroughly conversant with the statistics of Louisiana and so capable of giving such enlightened and lucid explanation of the nature and security of the bonds that we hope some negotiation may be made through your instrumentality." Forstall's detailed analysis of the agricultural but also the financial situation in Louisiana explained to Baring how the firm not only could market the bonds in Europe, but specifically how Baring's credit line helped to underwrite the economy of Louisiana. The Barings other agents did not always agree with Forstall. Thomas Wren Ward (based in Boston), urged a more cautionary reading of Forstall's assessment to his London partners across the Atlantic. "The credit of New Orleans is sound and healthy" but, he argued, it rested on a shaky foundation as "the people of Louisiana are much in debt and pay a heavy interest, that arises from the enlarging and extending their plantations and increasing their price of negroes."[10]

The Panic of 1837 had done little to assuage the debt pursuits of American states. If anything, the financial struggles caused by the financial fallout of 1837, had only caused many American states to issue even more debt to cover their operating expenses. In fact, only five of the twenty states that issued debt had issued more before the Panic of 1837. Hope & Co. frequently wrote to their London colleagues on American debt investments in 1838, including South Carolina, Mississippi, and Florida. Hottinguer likewise wrote to Baring regarding their investments in state debts including among others New York and Ohio. Still, rumors of defaults and even delayed payments were met with great concern by many in Europe. Some attempted to placate the concerns of these European nations. American bankers such as Thomas Cary wrote directly to Europeans to calm their respective nerves, but also to insist that the federal government would not be responsible for paying the debts of states. As Cary tried to assure, “however humbling the delay may be to us all, I think that those who will examine the subject will be convinced that, at least, there was no intention among any of us to defraud.” But for many European banks, it was not just their desire to see dividends paid out, but also their own reputations at stake. These institutions with long storied histories pushed their clients to pursue U.S. debt and if the states repudiated, their judgment would also come into question. Baring in particular emphasized this approach. The London bank made it a point to note that they did not recommend debt that they themselves would not hold on their personal accounts.[11]

American state debt increased in the aftermath of the Panic of 1837. The associated financial panic with transatlantic ramifications ushered in a depression lasting into the middle part of the 1840s. The depression resulted in many American states looking to Europe to pursue new lines of capital. However, the Panic of 1837 and its subsequent fallout proved to be one of the first real challenges for European investors in American indebtedness. Many of the banks remained concerned regarding the financial situation across the Atlantic and its potential impact on European houses and their clients. The surviving correspondence of prominent European banking houses of the era offer insight into their state of mind for the time period, more so than simply reading newspapers and periodicals of the era. Regarding the suspension of specie, Dutch based Hope & Co. wrote to their close London partners Baring & Co. "Certainly foreign creditors ought not to be sufferers of the same." The Parisian bank Hottinguer & Cie. wrote to Baring regarding "the disturbing crisis in the states" that all should keep a watchful eye on. A London banker visiting the United States at the time noted to his father, "there is something wrong about the great bulk of Southern securities that everyone here in the North who has had to do with them speaks badly of them." Even by December of 1838, "the influx of both good and bad American securities…estimated by Barings and others at more than £6,000,000 hung over the [London money] market like a Damoclean sword." A flurry of increased debt sales abroad in the late 1830s meant states faced interest payments they could not make without significant changes to their revenue streams. This created some untenable situations for various states—or so they claimed. As states waffled on their fiduciary responsibilities, the specter of default loomed large on the other side of the Atlantic.[12]

As Britain cut direct ties to slavery, it complicated European investment in the United States and especially southern state debt like that in Louisiana. Increasingly British banks looked at Southern debt with greater skepticism. One Boston lawyer described the southern banks as entities who "pursued business with the spirit of a lunatic gambler." The recklessness of some of these entities struck some in Europe as anathema to measured investment opportunities. By 1850, the *Westminster Review* even went so far as to declare, "The existence of even a minute fraction of the population in bondage places the government of that state at a serious disadvantage in the money market." The piece further added, "This mistrust arises from a shrewd calculation of the dangers, in both a moral and physical sense, which hang overt a state of society whose foundations are laid in injustice and violence." The British based *Circular to Bankers* echoed similar sentiments in November 1838, when it declared, “Many English capitalists, who are habitually purchasers and holders of American stocks, will not touch an instrument issued by a slave-holding state.” Such statements revealed the alleged toxicity of U.S. state debt as sectional tensions over slavery rose. This did not mean that Europeans eschewed southern debt entirely, for often public declarations obscured private investment. Nevertheless, some financial houses diminished their holdings in enslaved state debt.[13]

The issues of financial infidelity hit property banks, especially in Louisiana. Despite the claim of the *Circular to Bankers* of Louisiana tendency to be “politic and wise in borrowing,” and Baring’s support of these bonds in the form of circulating a glowing bond prospectus- the reality was something entirely different. Louisiana’s tax bill in the late 1820s only amounted to $263,000—a sum that could barely cover the government’s expenditures. The tax base likewise remained small- the 1830 census placing the overall population at 215,739 (of whom more than 50% were enslaved.) Despite what appeared to be critical issues in being able to finance their debt, the legislature continued to permit the sale of bonds—amounting to $21 million by 1841. By the fall of 1839, however, all but one New Orleans bank suspended specie payment in the wake of the Panic of 1837. Internal bank controls that encouraged independent audits affirmed the supposed stability of Louisiana property banks through the 1830s and even the early troubled days following the Panic of 1837. A state commissioner of currency in conjunction with a board of bank presidents likewise asserted this stability.[14]

In an 1840 annual message Governor Andre Bienvenu Roman of Louisiana recommended that smaller banks liquidate and blamed the financial situation on the banks increasing circulation beyond their means. The legislature paid no heed to Governor Roman and did not push for the weaker and more vulnerable banks to liquidate. Furthermore, they passed new legislation authorizing additional bond issues to increase the liabilities of the state should the banks fail to honor their payments. Roman vetoed virtually every single measure. A year later Governor Roman again tried to emphasize the dire financial situation the state found itself in, but the legislature refused to act. Yet, Roman continued to emphasize that Louisiana would honor its debts. “Nowhere is it better felt than in Louisiana that if it is difficult to compel a recusant state to pay its debts, the honor of the people will be prompted by that very difficulty to observe conscientiously and religiously its pledged faith.”[15]

Roman’s successor, however, put Louisiana on the path to default. Alexander Moulton, a Democrat, had disdain for virtually all banks and played a key role in the state legislature passing a law in April of 1843 that no longer guaranteed state backing for bonds. Moulton knew the state could not cover more than $1.2 million in interest payments that the banks had failed to cover themselves and, in fact, the government of Louisiana exceeded its income at the moment by more than $200,000. The legislation that shifted “shares” into “certificates” of the banks that the state no longer guaranteed also permitted banks such as the CAPL to extend their bond terms by fifteen years with the option to extend them even further.[16]

The legislation led to a revolt by foreign bondholders and their banks. Baring Bank issued a circular to foreign creditors of the CAPL in April 1843 noting that the state of Louisiana failed to provide more than $750,000 owed Barings for the state bonds of 30 June as well as the interest payments on the same day. “The recent conduct of the legislature,” stated the circular, “has had the effect of embarrassing the banks, of depreciating the value of their assets, of lowering the credit of the state, and by the non-payment of the interest or capital of the bonds of greatly depreciating the prices of these securities.” Baring worked with other financial entities to “right” the financial path of this debt laden state. Baring began an active campaign in Louisiana with op-eds in both French and English explaining the risks the state put its residents at by not honoring its debts. Barings did not act alone, Hope & Co. also presented a petition to the state legislature on behalf of Citizens Bank bond holders. Such actions solidified the Louisiana banking system for the time being- but the end of property banks closed in.[17]

Mississippi

The state of Mississippi also figured prominently in the debt debates of the early 1840s. Mississippi operated like many other states in the 1830s as it chartered banks who floated bond issues to help finance their operations. In January 1837, Governor Alexander McNutt authorized the Union Bank, with a capital stock of $15.5 million financed through the sale of 5% state stock to operate. The challenges in Mississippi were unique in that the state constitution prohibited pledging the faith of the state behind such bond issues unless two consecutive legislatures voted their support for the measure as well as a popular referendum for white male voters likewise voiced their support. While debate reigned in the legislature over its ultimate renewal in 1838- centered around whether or not the bank benefited "the people," there also emerged the small matter of selling the bonds. The bank appointed three commissions to facilitate these sales. But brokers in New York would not take on this debt in the midst of the Panic of 1837 in a state so utterly reliant on cotton revenues. Philadelphia, however, was another matter and on August 18, 1838, Nicholas Biddle purchased the entire lot of bonds. In fact, Biddle made it known to his European agent Samuel Jaudon that he opted to purchase these bonds because Biddle "considered these bonds to be unusually good." While the sale was initially lauded in Mississippi, once Biddle arranged for the sale of the bonds in Europe the sentiment waned.[18]

Biddle placed a high emphasis in his communication with Jaudon on the agricultural potential of this southwestern state—especially as it pertained to cotton—and the honor of the commissioners. Jaudon sold $2 million of the bonds in November 1838 and the remainder in 1839 and 1840. For many, the assumption lay in the fact that even if the Union Bank went under, the state would absorb the obligation. One agent for Huth and Co. wrote to the London bank in January 1840, and expressly stated "the United States Bank has guaranteed the interest to the foreign holders, I think all will go right." But even in this case, the state turned on the debt. Reading the political tea leaves, the Mississippi governor started to sour on the debt and the process by which the sales had occurred in New York and England as well. He went from an enthusiastic embrace of the sale in public statements to harsh criticism just months later. Governor McNutt claimed the sale was in violation of the bank's charter because of an unwillingness to allow state regulators to examine the books of the Union Bank who were circulating too much paper. On top of that, the fact that some of the sales had been done on credit to the BUS had voided their sale in the minds of the state of Mississippi.[19]

By 1841, McNutt advocated for the repudiation of the state debt tied to the Union Bank. Governor McNutt flatly stated in reply to a petition from several European banks to honor the debt, "the bonds were disposed of in 1838 by collusion and fraud." Following a new election, a pro-repudiation legislature voted to not honor the debt and the state had its first default in March 1841. At root cause of this all were legal technicalities. Nicholas Biddle had purchased and then sold the debt in Europe, but the sales abroad were at below par when factoring in the exchange rate and violated the conditions of his agency—according to the state of Mississippi. The Democratic paper *Mississippian* reaffirmed the position of the governor and legislature, "common sense and common justice," remarked the paper, proved that the people were "not bound to pay a debt not founded in justice and which the perfidy of bankers and not the majesty of the law" was "endeavoring to impose on them." The *Columbus Democrat* added a further visual of dining tables being seized by "the excise men" for "the benefit of those who sleep in splendid brick palaces…and drink champagne as the ordinary beverage of the day."[20]

The international vitriol directed at Mississippians was extensive. Thomas Wren Ward, an American agent for the London bank of Baring, wrote of the default saga in Mississippi and elsewhere, remarking, "our political evils are great—and the corruption and ignorance of politicians—and [what] men will do in legislative bodies." Some six weeks later Ward wrote to Baring banking partner Joshua Bates that in Mississippi, "legislative action is corrupt in the highest degree." In this sense, Ward similarly viewed the situation as corrupt-albeit with the state and its politicians at fault. Hope & Co. in Amsterdam was likewise greatly concerned. Writing to the U.S. consular officer at the Hague at the time, Harmanus Bleecker, Hope & Co. shared their reservations that Mississippi's resumption was, "a matter of much importance to American credit in Holland." The firm added a firm desire that, "such instances of irregularity be promptly remedied."[21]

The press coverage was perhaps even worse. "A set of atrocious scoundrels" declared *The London Morning Chronicle* referring to Mississippi debt default. Even in 1847, *The London Times* declared that Europeans would not lend money to the United States for another fifty years. Banks wrote directly to the state on this matter. London based Morrison & Co. remarked "the non-payment of the interest, is calculated to injure, most seriously, not only the credit of your state, but to prejudice, generally, all the states in the Union." London Based Denison & Co. similarly remarked their hope the state would quickly make payment on the more than 400 Mississippi bonds they held. The banks also took to petitions in an effort to advance their resumption agenda. Huth & Company drafted a petition to the Mississippi state legislature on the rightful claims of foreign bondholders. Hope & Co. also wrote to Governor McNutt urging an honoring of the debt noting that foreign bondholders should not suffer at the hands of a dispute "between corporations and individuals." Hope led an international consortium as well in having an audience with the American consul at the Hague, Christopher Hughes, in the spring of 1843. Writing back to Hope's partners and other Dutch bankers in the summer, Hughes indicated sympathy with the plight of the bankers and an utmost confidence that, "at not a distant day" the debt would be "honorably fulfilled." Nevertheless, Hughes stated that the federal government, did not "consent, to be held, in any wise, or to any extent, responsible for any default, actual or eventual."[22]

Much like the work undertaken in Louisiana, Thomas Ward worked with agents to attempt to get Mississippi to "come right." The efforts took on various approaches. Senator Robert Walker initiated a legal battle in the Mississippi court system to honor the debt. Baring, Hope & Co. and Reid Irving and Company also utilized Edmund J. Forstall in New Orleans to assist in their Mississippi claims by connecting with members of the state legislature. Stories of champagne and oyster events with these legislatures that made it into London papers revealed not direct bribes to these officials, but efforts to coax them into honoring their debt. Still other publications made direct allegations of bribery. "The Principles of bribery was first introduced in our elections by the U.S. Bank," remarked one article, "and there is no doubt but that it had the full sanction of all the heavy foreign stock holders. This has long been an established principal in England… the heavy stock holders are now the principal holders of the Mississippi bonds." The same piece referred to these individuals as "corrupt foreign fundmongers." But unlike the case in other states, Mississippi did not budge. The decision to repudiate held firm and carried through the period of resumption by a variety of other states. In fact, court cases pertaining to Mississippi debt involved the principality of Monaco in the 1930s and another U.S. Supreme Court case in the 1990s.[23]

Pennsylvania

Perhaps no public debt exemplified the power of U.S. state debt more than Pennsylvania- the single largest debt issuer by the early 1840s. Of Pennsylvania's $34 million in state debt by 1842, over $20 million could be found in England, $2 million in the Netherlands, and nearly $600,000 in France. In fact, residents of France held more Pennsylvania state debt than residents of any U.S. state save Pennsylvania itself. Pennsylvania's indebtedness steadily grew in the years preceding 1840. At its heart, Pennsylvania experienced enormous pressure to expand its public works in order to compete with states like New York and the widely successful Erie Canal. Organizations like the Society for the Promotion of Internal Improvements based in Philadelphia advocated for canals running between that city and western cities such as Pittsburgh. Criticism of such projects at the time pronounced that the construction of these canals "benefitted private lands and not the public good" and received heavy criticism for the politicization of the projects- projects that bore a significant premium and insufficient revenue to cover interest payments. Debt issuance in the 1830s came with a 5% interest rate that the state had to carry. According to economic historians John Joseph Wallis, Richard Sylla, and Arthur Grinath III, Pennsylvania state debt reached almost $25 million in 1835, but tolls totaling some nearly $685,000 still fell short of interest obligations of nearly $1.17 million. Not only that, but the subsequent transition of the Bank of the United States (BUS) to a Pennsylvania state charter (referred to as the United States Bank of Pennsylvania) in 1836 impacted state debt. State law required the newly chartered BUS to take on $6 million in Pennsylvania state debt—thereby entwining the fortunes of the bank and Pennsylvania state debt. Such actions however, soon proved problematic for the BUS.

Unable to offload state debt and overleveraged in cotton that the bank could not sell in Europe, the bank closed in January 1842. By the late 1830s the state hit a plateau of average annual revenue around $140,000 but annual interest payments of approximately $1.2 million. Even a new property tax bill in 1840 did not cover the yawning gap. As one historian of Pennsylvania noted "Speculation and hatred of all forms of direct taxation were the causes of the downfall in Pennsylvania's credit." By December 1841, resolutions passed by various groups called on the state to repudiate debts. While the state House and Senate both passed resolutions that forbade repudiation, in February 1842, lack of tax revenue ensured Pennsylvania missed a dividend payment and defaulted.[24]

The default of Pennsylvania state stock hit Europeans so hard because of the extent of foreign holdings in this particular debt. The default enraged the likes of Sydney Smith, but spread outside of England and monied elites-one such example being a mob accosting a member of Hope & Co. in the streets of Amsterdam and threatening him with violence because of Pennsylvania default. The Governor of Pennsylvania, David Porter, offered an address in 1843 to try and quell the fears of investors. “She may be temporarily obliged to postpone the discharge of her engagements until a more convenient season,” Porter declared referring to the commonwealth’s state debt, “but to deny the obligation itself, or to refuse to comply with it, would be a reproach upon her integrity which no public man dare advise or sanction.” Such words from the governor, however, provided little solace to European financiers and their clients as missed interest payments mounted. The state even made small gestures to cover its debt obligations by selling stocks held in possession of the state, but such sales only amounted to slightly under $1.4 million which had cost at par north of $4 million.[25]

The closure of the BUS exacerbated the default of Pennsylvania state debt. Many European banks held stock in the BUS and relied on Nicholas Biddle's institution as a conduit to state debt prior to state default. Biddle's reputation in Europe and his close ties to fellow Quaker and major British financier Samuel Gurney helped facilitate sales of U.S. state bonds overseas—even of enslaved states' debt. Boston financier John Eliot Thayer wrote to London based bank Baring Brothers in the summer of 1840 criticizing the defunct BUS and its stock. "The stock of the United States Bank has been constantly falling," declared Thayer, as he laid into the bank and its financial downfall. "I consider the Bank a disgrace to the country," Thayer added as he warned the London firm regarding the stock and Biddle personally. The failure of the bank left significant financial liabilities with European partners. These partners ultimately petitioned and later sought legal redress for BUS stock via the Bank's collateral in Europe, which took the form of a variety of U.S. state stocks. *The Circular to Bankers* likewise bemoaned the bank's failure and its repercussions for state debt abroad. "The State Bonds will not now find buyers in England, France, and Holland," so claimed the London periodical. Following a detailed list assembled by Hope & Co. of Amsterdam, the collection of European banks petitioned for the state stock of Pennsylvania, Michigan, and Mississippi (among others) to be transferred into their account to cover the fallout from the Bank of the United States of Pennsylvania closing and the more than £800,000 loan facilitated by Hope, Hottinguers (of Paris), and the Paris Rothschilds. By the Civil War in the 1860s, these banks were still being repaid for Biddle's blunder. Thus, even financial institutions within the commonwealth and their failures reverberated through Harrisburg and across the Atlantic to Paris, London, Amsterdam and beyond.[26]

To quell concerns over Pennsylvania debt default, the failure of the BUS in October 1839, and the increased likelihood that other states would follow suit, an effort emerged to push the federal government to intervene-going so far as to assume the state debt of Pennsylvania and other states. Baring Brothers issued a circular pertaining to United States stocks and the necessity of a federal backing of state debt. "A national pledge," the circular noted, "would undoubtedly collect capital together from all parts of Europe." Such an assertion by a prominent British bank with long ties to America led to some calls for federal assumption of this state debt—in keeping with prior practices tied to state Revolutionary War debt. Creditors anxiously looked at several states with debt obligations that may not be met. Baltimore merchant Richard Wilson wrote to British banker John Beadnell regarding the dire straits of several U.S. states (including Pennsylvania) and the inevitability of federal assumption. "So hopeless are the affairs of some of the Western States," remarked Wilson, "and so important would such an arrangement be to others, that I am inclined to believe the thing will be done, sooner or later, however objectionable it may be now." Baring's agent in Boston, Thomas Wren Ward, wrote on several occasions to the London firm in late 1839 that federal assumption would prove "inexpedient" and perhaps not meet the outstanding state debts. This did not stop other European houses from advancing the case for federal assumption. Dutch banking house Hope & Co. wrote in depth to their British partners Baring in 1842 advocating for federal intervention.[27]

Additionally, both major U.S. political parties entered the debate. For Whigs, federal assumption reflected an absolutely necessity. Many Whig aligned papers supported such a proposition. The *National Intelligencer* argued that since most bond issues pertained to internal improvements, it only made since for the federal government to assume such debts. The *New York Herald* likewise declared that it would make for an easy monetary exchange within the United States. The Whigs also could point to the work they had undertaken that resulted in the Bankruptcy Act of 1841. Daniel Webster served as one of the key architects of this piece of legislation- a law that facilitated debt discharges to individuals. The Whig push for federal assumption of state debt could be viewed as a proposal that would have had the same functional effect as debt discharges granted to individuals under the 1841 Act. Their Democratic opponents, however, charged the operation as a foreign plot to undermine the federal government by forcing such debts onto the populace writ large. In effect, Democrats argued such assumption would facilitate the creation of a sizable national debt shortly after its successful (albeit brief) retirement in the 1830s.[28]

By 1842, British holders of U.S. defaulted securities wrote an article entitled "Appeal on Behalf of the holders of American State Stocks to the Bankers and Capitalists and to the Press of London." The article found its way into the London *Times* and to the U.S. legation in London asking for formal censure of the defaulting states. The article called upon British Parliament to pass a law to hold "contractors of the loan" legally accountable. Calls rang out in London where U.S. securities were referred to as "American insecurities." U.S. expatriate banker George Peabody reported from London on the failure of U.S. state debt and its larger implications. "As long as there is one state in the Union in default," Peabody asserted, "no U.S. Government loan can be negotiated." On a personal level, Peabody witnessed the impact of the defaults when he was denied entry to a London social club owing to U.S. default and repudiation. The resistance on the part of many European banks to pursue a federal loan in 1842 became associated with state debt repudiations and reinforced the challenges at that time. In Paris, James de Rothschild informed William Robinson, a US envoy attempting to negotiate a new federal loan abroad, that "you may tell your government that you have seen the man who is the head of finances in Europe, and that he has told you that they cannot borrow a dollar, not one dollar." Dutch bankers Hope & Co. remarked in February 1843, that while a six percent loan might be "tempting for

Capitalists who are not sufferers by other American funds," they nevertheless commented ruefully, "hardly any such Capitalists exist." When the U.S. press reacted in surprise to European reluctance to support a new federal loan the London *Times* responded harshly. "It is this kind of astonishment," noted the paper, "that shows that the nation is not sensible of the very delicate nature of public credit, and that even in the face of ample security a moral blemish in a people is fatal."[29]

It reached the point that the federal government believed they needed to make a formal statement regarding the actions of several states. Speaking at Faneuil Hall in Boston in September 1842, Secretary of State (and Baring agent) Daniel Webster addressed the question of default and repudiation:

> People say that the intelligent capitalists of Europe ought to distinguish between the United States government and the State governments. So they say, but, gentlemen, what does all this amount to? Does not the general government comprise the same people who make up the State governments? The doctrine of repudiation has inflicted upon us a stain which we ought to feel worse than wound; and the time has come when every man ought to address himself soberly and seriously to the correction of this great existing evil… It is our duty, so far as in our power, to rouse the public feeling on the subject, to maintain and assert the universal principles of law and justice, and the importance of preserving public faith and credit.

Although this speech by Webster took place in the wake of the recent Webster-Ashburton Treaty (Alexander Baring of Baring Brothers being Lord Ashburton) that settled the northern Maine boundary and resulted in an agreement by the U.S. to back a naval task force off the coast of Africa interdicting the transatlantic slave trade and therefore could partially explain his thoughts on the matter to sooth possible tensions, by 1842 the federal government still refrained from direct intervention.[30]

Pennsylvania's debt default and lack of action at the federal level forced European financial houses led by Baring Brothers to take the matter into their own hands. Much in line with the Early Republic, Baring Brothers and other foreign banks would take on the role of "political entrepreneurs" as outlined by Brian Murphy in his examination of New York state. In Boston, Thomas Wren Ward voiced concerns to Baring Brothers in London regarding state debt all throughout 1841. In a letter from April 1841, Ward noted "the <u>real people</u> of the country <u>individually</u> are moral and reasonably intelligent" but lamented the "corruption and ignorance of politicians" at the state level to honor state debts. As for Pennsylvania specifically, Ward emphasized the need for foreign lobbying intervention as early as January 1842. Ward ruminated over a "very able man… to give a general supervision of our concern with Great Britain and to have them forcibly and rightly treated in the public papers." Ward added "it would be money well paid." Meanwhile in New York City, Rothschild agent August Belmont echoed similar sentiments. Writing to London, Belmont called for a fund of £3,000 ($13,350) to enlist agents to promote payment in Pennsylvania and elsewhere. Belmont urged "all this would have to be done in a very careful and discreet manner and <u>no</u> <u>foreign</u> influence whatsoever be apparent in the proceedings." Such calls to avoid foreign influence served as a focal point for this transatlantic action and reflected the political realities of financial nativism that cropped up from time to time stateside. Meanwhile on the European continent, others such as Hope & Co. promoted to Baring the idea of assisting the state of Pennsylvania in making interest payments in calendar year 1842 as a middle ground of sorts.[31]

The adjournment of the Pennsylvania state legislature in April 1842 without passing a substantive tax bill to improve revenue prospects only heightened Ward's calls for foreign intervention. Further appeals from Ward crossed the Atlantic to London in May and June.

Ward's calls, however, also drew on pressure coming from within Pennsylvania itself. Elihu Chauncey, President of the Bank of Pennsylvania, remarked, "I should advise that your friends in London be consulted, and that they give such instructions as they deem expedient" when it came to agents influencing the Governor and state legislature. By July 1842, Ward had begun to put out feelers regarding possible agents on the ground in Philadelphia and the state capital of Harrisburg even before Baring signed off on the matter.[32]

Baring sent communication to Ward on July 18, 1843, to facilitate the agency in the states. While Baring had been reticent to force the issue of payment—the bank had been quoted as saying "people will try to be honest when they feel more at ease," they came around on Ward's plans. In part this shift in approach most likely stemmed from concerns raised by Baring's clients. One British holder of debt wrote to Baring in the summer of 1843 and reflected the concerns held by Pennsylvania stockholders. He noted that the actions taken by the government of Pennsylvania "destroy entirely all the confidence which was placed in that state, and which are most discreditable in themselves, as well as most deficient to its interests." In their letter of instruction to Ward, the London house agreed that the agent or agents enlisted by Ward should write newspaper articles, meet with Pennsylvania bondholders in the commonwealth, and "endeavor to enlist the clergy to point out from the pulpit the moral wrong and danger to the people of not acting honestly." The proposal even gave Ward authority to enact a press campaign in England if he thought it advisable. Ward's rebuttal indicated a need to provide motive to the people of Pennsylvania to ensure they got right. "Experience shows," according to Ward, "that it is only necessary to present a sufficient motive and people will tax themselves. In the present case, interest, justice, honour, state pride, individual feeling, and public sentiment all concur to present motives, if properly brought to bear." Notions around honor are certainly interesting given the wide array of works from the likes of Bruce Mann, Edward Balleisen, and Scott Sandage that discussed individual default evolving from a moral failure to one of economic failure. In this initial construction, state debt default still seemed to hold onto a more antiquated notion of moral failure.[33]

By July 1843, Baring agreed to join with five other banks to contribute a total sum of £2,500 for agents in America to represent foreign creditors and force the hand of delinquent states. This represented $11,125 in U.S. currency in 1843. Pennsylvania found itself in the crosshairs of these European banks. Baring, working in conjunction with Denison and Co., Reid, Irving, and Co., Hope & Co., Overend, Gurney, and Co. and others, formed the "Committee on State Debts" and worked behind the scenes to execute their "restoration" campaign. Stockbroker Charles Stokes served as the secretary in London for the committee. By the summer of 1843, Stokes could relay to Ward a memorial of Pennsylvania stockholders signed by more than 300 persons. "The confidence with which we invested our money in the Securities of the State of Pennsylvania was founded upon a belief in the integrity of her people, and of the magnitude of her wealth and resources," noted the memorial. Before the long list of signatures, they demanded payment of interest "as justice towards us demands." A series of additional petitions came via steamer throughout the fall of 1843 adding to the long list of petitioners directing their grievances at Governor Porter. Such petitioners extended beyond just financiers and their wealthy clients. The petitions reflected a way to enlist the masses in support of the cause-a long standing approach by political entrepreneurs stateside. Word spread throughout the banking community in London and across the Atlantic as August Belmont wrote the Rothschilds four months later as to the arrangement undertaken by Ward. Furthermore, British press pieces repeatedly noted the ability of Pennsylvania to meet its debt obligations. "Viewing the subject in its true light," noted *The Guardian*, "it will be therefore apparent that Pennsylvania, instead of being bankrupt, is abundantly able to meet all her liabilities; and that her creditors have in her inexhaustible resources and the industry… a sure guarantee of the public faith."[34]

As far as a U.S. based agent, Ward enlisted Nathan Hale, the editor of The *Boston Daily Advertiser*, as his second in command and lead man on the ground. Hale received a salary of $2,000 per year (plus possible bonuses) in order to facilitate operations in Pennsylvania, but also in other U.S. states. Benjamin Latrobe, an engineer for the Baltimore & Ohio Railroad (as well as Baring agent for resumption efforts in Maryland) referred to Hale as "the very impersonation of common sense and one of the cleverest writers I ever met with on practical subjects." In August, Hale wrote to Baring and their committee partners as to his willingness to take the charge of the agency and his plan to "ascertain satisfactorily what classes of people and shades of political party are favorably disposed towards a prompt and honourable provision for the debt." Hale took his first trip to Pennsylvania in August 1843 in order to assess public opinion and identify local points of contact who could help to advance the cause. Hale enlisted former state Senator William Reed and Elihu Chauncey of the Bank of Pennsylvania as his aides in the Keystone state.[35]

In a short time, however, Hale's frustration with the lack of progress in Pennsylvania led him to force the hands of political actors. For Hale, there remained great concern as to the "general apathy" and "want of feeling and confidence in Pennsylvania" when it came to honoring their debts. It became clear that Hale and Ward started to discuss ways to exert further influence. Shortly before Hale's departure from Boston on a trip to Philadelphia and Harrisburg, Ward wrote his friend and agent about the importance of "<u>personal</u> influence" when it came to bringing Pennsylvania "right." Hale had even confessed in December 1843 to Charles Stokes his plans to “ascertain the finances of members beforehand.” These efforts to peddle influence and exploit legislative members’ financial liabilities reflect some longstanding work in antebellum America to merge economic and political interests to facilitate economic growth.[36]

Hale and his associates in Pennsylvania identified allies in their resumption fight. Reed’s work in Harrisburg spoke to the respective financial committees in each house of the legislature and the realities of the situation. While both chairmen were deemed “the least practicable,” Reed had already identified members of the committee—most notably Representative George Toland of Philadelphia— that could be persuaded to do their bidding and believed with Hale’s assistance resumption could be achieved. Additionally, Hale recognized an internal pressure campaign from within Pennsylvania could also serve a useful purpose-particularly those deemed most vulnerable. Writing to Committee of State Debts Secretary Charles Stokes, Hale confirmed that he had secured petitioners in Pennsylvania. “I have taken measures to procure petitions to be signed by holders of stocks in Pennsylvania,” noted Hale, “particularly for females and from a large member of persons who hold in trust, and as executors of guardians.” It was most certainly Hale’s intent to highlight the economically vulnerable within Pennsylvania (and not just foreign holders of debt) as an additional factor for resumption and a tax burden placed on those who could most easily afford it.[37]

Working in close concert with Elihu Chauncey, William Reed, and a “Mr. Hepburn,” Hale mapped out a clear strategy to entice Pennsylvania legislators to come right. By the end of January, Hale had left Philadelphia to return to Boston having enlisted the paid assistance of William Reed and Hepburn for $500 apiece with a report written by Hale for the Ways and Means Committee in the State House of Representatives. The report Hale left his surrogates to present to the Pennsylvania state legislature outlined how to become right financially. Ward wrote repeatedly to his Pennsylvania contacts as well as Hale and emphasized the righteousness of their resumption cause. "I think you have an opportunity to endeavor a great public good," remarked Ward in a letter to Reed. Once again reflecting the notion of public good merging with private interest. Referring to the debt issue and reestablishing of state credit as, "the most important duty which devolved onto the legislature at the present session," Hale spoke at length to the importance of resumption, while simultaneously admitting, "it is apparent, therefore, where the responsibility will lie" if the state did not intervene. Among the many options included in the report for Pennsylvania to possibly pursue included an increase in taxes, the route ultimately pursued. Hale made it clear in one of the final paragraphs before presenting a mountain of data in the nearly sixty-page report that the buck effectively stopped with the state legislature. "The members of the present legislature must feel that on them alone," Hale declared, "rest the responsibility of not providing for the present emergency." Hale's reports to Ward detail the political minutiae inherent in the work and various possible paths towards resumption up to and including "purchasing influence" over members of the state legislature. Once again, Hale was not shy in emphasizing the need to financially influence pertinent stakeholders to make the state resume payment. Despite all these efforts, the fact that the state legislature waited until January 31st to authorize the February 1st dividend payment, revealed the financial precarity of the state.[38]

Ward shared bluntly with the Baring banking house that he might need additional funds to secure Pennsylvania's repayment. He made it clear that such funds would be needed to "secure the passage of a bill at Harrisburgh to avail myself of the services of one or more influential men of the legislature at an expense beyond which I should feel authorized at present to go." According to Ward, operations in Pennsylvania cost upwards of £1,500. Such an act and statement on the part of Ward did not especially mince words. Ward through his agent Hale in Pennsylvania wanted to bribe state legislators. This frank statement on the part of Ward to his superiors in London reflected a significant escalation in the efforts to resume payment in Pennsylvania and continued to reveal corruptible democracy.[39]

Beyond financial intervention with legislative members, Hale and his network also produced written pieces articulating the threats of default and importance of resumption. As resumption articles made their way to print in January 1844, Hale used funds from the "committee" to ensure their speedy publication. Throughout the United States, articles ran about the importance of state debt- Pennsylvania being central to the framing. "Governments are the fountains of law and justice," noted one article, "and if these are infected with poison… disease will spread itself through the state." Such equations of poison with debt default and repudiation acted as a frequent critique of debt issues in the United States. Another article gave a slight pass to "western" states that could not draw on as much wealth, but when it came to Pennsylvania, the author stated "there is no excuse nor even the shadow of an excuse to be made by Pennsylvania." The author added, "it is time for the people of Pennsylvania and the politicians of Pennsylvania to turn over a new leaf, otherwise they will be placed in the category of their own Eastern Penitentiary." The author concluded that meeting these debts reflected the act of "an honorable man." Another article attacked Pennsylvania as a state that "dishonored the Union" through its debt default. Hale paid newspapers (aside from some articles that ran pro bono) upwards of $20 per article publication- all in the hopes of spreading the message about the importance of honoring debt. Hale at one point contacted the editors of the *National Intelligencer* enclosing payment for $200 and a prewritten article about the importance of "state faith" when it came to honoring their debt. The pieces by Hale made their way back across the Atlantic Ocean to Baring and onward to their other European partners, like Hope, who acknowledged that they read Hale's communications "with much interest." Hope likewise continued in future correspondence to express their optimism that Hale's work on behalf of the European syndicate would yield repayment on the Pennsylvania debt**.** By the first week of January 1844, Ward was already projecting expenses of approximately $2,000-effectively the same amount as his annual base salary.[40]

Accompanying Hale's formal report was a draft bill for the state legislature to consider. The work of Ward, Reed, and Hepburn ensured that the bill made it into the hands of a State Representative George Toland of Philadelphia as the key figure on Ways and Means in the lower house by the time the session reconvened in January 1844. As early as the first week of the legislative session, Toland and his allies in the House produced petitions to initiate a bill to sell public works, raise taxes to the tune of $1.5 million, and even possibly receive federal funding for the state debts via the proposed $200 million land bill. State legislative members also flooded the House and Senate with citizen petitions. Lancaster County citizens petitioned to sell off public works for the sake of the public debt. Toland's constituents in Philadelphia submitted a petition to sell public works and institute a "fair tax" for debt payment. Other citizen petitions tried to increase the pressure through creative proposals like from one Lycoming County to reduce salaries of state officials (including those convening in the capital) until the debt issue was resolved while another petition from Berks County proposed a freeze in school appropriations until the state "got right." Interesting bill proposals included those to sell the public works that made payment available in state stock, thereby negating the need for as large a sum of money to be raised by the state. Petitions also made their way to the legislature via two large Pennsylvania bondholders- Newark College and the Bank for Savings of the City of New

York. The latter of these Representative Toland had read into the record on the floor of the House. The Senate took up the bill with greater resistance to the measure but made progress. According to Chauncey, the success in the Senate was largely attributed to additional agents brought on board specifically to work with Senators. Following the creation of a conference committee on April 25th, both houses passed the bill and Governor Porter signed it into law on April 29, 1844. The only substantive change between the draft legislation produced by Hale and his fellow lobbyists and the final iteration passed by both houses of the legislature was the fact that the final tax rate came in higher than what the lobbyists proposed. In the instance of Pennsylvania, efforts by the European banks had successfully reintroduced interest payments and Pennsylvania honored their debt moving forward.[41]

As the 1840s progressed, slowly most (but not all U.S. states) resumed their debt payments. Some honored all their former debt, while others selected some debt and repudiated others. For some of these states, this had consequences as they endeavored to borrow funds in the future. But the default saga of the 1840s is important not only to understand the power of European capital in the antebellum United States, but also the lengths European financial entities went in order to have debt honored and restored. It speaks just as much to the power of these institutions and their hold over state governments as it does to their desire to assuage clients. Through the use of agents and actions that reaffirmed the corruptible democracy narrative of political economy scholarship for the nineteenth century, many states "came right." The events of the 1840s revealed the importance of European financiers to U.S states and their access to capital and subsequent economic growth. Furthermore, these episodes of debt default and a transatlantic financial crisis likewise offer a fascinating window into nineteenth century economic life and play a role in understanding the power of federalism over nationalism in this era. European banks, following the failure of national intervention, had to pursue state by state solutions. The challenges to state sovereignty by European banks reflect a continued dependence of many U.S. states on European capital and a post-colonial state dynamic well into the 1840s. Furthermore, efforts by entities such as Texas and later the Confederacy that wanted to sell bonds overseas and garner international financial support as part of their claims at independent nationhood via territorial control and economic development reflect an ongoing contest over financial imperialism. As both the Union and Confederacy looked abroad for foreign recognition and investment in the 1860s during the American Civil War, the events of the 1840s undoubtedly played a role in the decision making of European capitalists and their political allies throughout the continent.[42]

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[1] Sydney Smith, *Letters on American Debts* (London: Longman, Brown, Green & Longmans, 1843), 15. See "financial and moral infidelity" in Jay Sexton, *Debtor Diplomacy: Finance and American Foreign Relations in the Civil War Era, 1837-1873* (New York: Oxford University Press, 2005), 29. American papers criticized Smith, including the *Boston Courier* that described his petition as a piece of "impudence, bombast, and impertinence." *Boston Courier* quoted in *London Times,* August 8, 1843. Also quoted in Reginald McGrane, *Foreign Bondholders and American State Debts* (New York: The Macmillan Company, 1935), 60 and Alasdair Roberts, *America's First Great Depression: Economic Crisis and Political Disorder After the Panic of 1837* (Ithaca: Cornell University Press, 2012), 72. Another piece entitled "An Answer to the Letter of the Rev. Sydney Smith," challenged Smith, "how can you, ignorant of facts and circumstances, include in one sweeping condemnation of scoundrelism and rascality, those who are called by the name which you profess to honor, or those before whom you would sink into the earth, rather than utter such reproaches in their hearing?" "An Answer to the Letter of the Rev. Sydney Smith," *Lancaster Intelligencer,* December 5, 1843, 2; William Wordsworth, "To the Pennsylvanians" (1845) and "Men of the Western World" (1842); The valuation of $30.5 billion is derived from the relative value of the U.S. dollar calculated on <http://www.measuringworth.com> Site accessed September 6, 2023.

[2] For more on early American debt held by Europeans, see, G.S. Callendar, "The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations,"

The Quarterly Journal of Economics, 17 no. 1 (Nov. 1902), 111-62. See also, Douglass C. North, "The United States Balance of Payments, 1790-1860," 582-85 in *Trends in the American Economy in the Nineteenth Century* (Princeton: Princeton University Press, 1960.) For the Germans financial interests specifically see Sarah Lentz, "[E]ine viel wichtigere Persönlichkeit [...] als der Präsident selbst". David Parish und die Finanzierung der US-Regierung im Krieg von 1812', in Claudia Schnurmann and Heiko Herold (eds), *Die Hanseatisch-Amerikanischen Beziehungen Seit 1790*, (Trier, Germany: Porta Alba Verlag 2017), 35-64. For more on the role of internal improvements and the financing of the early republic see John Lauritz Larson, *Internal Improvement: National Public Works and the Promise of Popular Government in the Early United States* (Chapel Hill: University of North Carolina Press, 2001); Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge: Harvard University Press, 1989), 54. For more on U.S. federal debt, see Benjamin Ratchford, "History of the Federal Debt in the United States," *American Economic Review* 37, no. 2 (1947): 131–41. While not every state published numbers that broke down foreign and domestic holdings, those that have survived paint a striking picture**.** States such as Florida and Arkansas found more than half of their respective debts overseas and other states chose to denominate their bonds in pounds to more easily market them in Europe. Such states included Georgia (~70% of their debt), Louisiana (90%), and Maryland (~50%). As laid out by Mira Wilkins, Jay Sexton, Richard Sylla, John Wallis, and Alasdair Roberts among others, such actions entailed not only financing internal improvement projects, Such growth and stable return on investment likewise drew the interest of European financiers as well. *The Times* London, November 18, 1842. Richard Sylla, John Wallis, and Arthur Grinath III, "Sovereign Debt and Repudiation: The Emerging-Market Debt Crisis in the U.S. States, 1839-1843," National Bureau of Economic Research Working Paper 10753, Sept. 2004. Wilkins, *History of Foreign Investment*, 58-59. Baring Brothers to Thomas Ward, August 3, 1842, Baring Brothers Papers, Library Archives Canada (hereafter LAC.) Roberts, *America's First Great Depression,* 51. Sexton, *Debtor Diplomacy,* 23. William B. English, "When America Defaulted: American State Debts in the 1840s," unpublished manuscript, 1991, 9. Many thanks to Dr. English for sharing this manuscript with me.

[3] *The Times* London, November 18, 1842. Richard Sylla, John Wallis, and Arthur Grinath III, "Sovereign Debt and Repudiation: The Emerging-Market Debt Crisis in the U.S. States, 1839-1843," National Bureau of Economic Research Working Paper 10753, Sept. 2004. Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge: Harvard University Press, 1989), 58-59. Baring & Co. to Thomas Ward, August 3, 1842, Baring Brothers & Company Fonds, (Library and Archives Canada, Ottawa, Canada). Roberts, *America's First Great Depression,* 51. Sexton, *Debtor Diplomacy,* 23. William B. English, "When America Defaulted: American State Debts in the 1840s," unpublished manuscript, 1991, 9. Many thanks to Dr. English for sharing this manuscript with me.

[4] The most detailed examinations of state debt default and repudiation in the antebellum period are McGrane, *Foreign Bondholders* as well as Ralph Hidy, *The House of Baring in American Trade and Finance: English Merchant Bankers at Work, 1763-1861* (Cambridge: Harvard University Press, 1949.) There's also coverage of this moment in Sharon Murphy's *Other People's Money: How Banking Worked in the Early Republic* (Baltimore: Johns Hopkins University Press, 2017.) Other works such as Roberts, *America's First Great Depression*, Jay Sexton's *Debtor Diplomacy* and Scott Reynolds Nelson's *A Nation of Deadbeats* likewise explore this moment, but not in incredible depth; For more on conceptions of sovereignty (broadly construed), in the Civil War era see Jay Sexton, "Steam Transport, Sovereignty, and

Empire in North America, circa 1850-1885," *The Journal of the Civil War Era* 7 No. 4 (December 2017), 620-47, Kate Masur, "State Sovereignty and Migration before Reconstruction," *The Journal of the Civil War Era* 9 No. 4 (December 2019), 588-611, and Erika Pani, "Law, Allegiance, and Sovereignty in Civil War Mexico, 1857-1867," 7 No. 4 (December 2017), 570-96. For more on the post-colonial status of the United States**,** see Kariann Yokota, *Unbecoming British: How Revolutionary America Became a Postcolonial Nation* (New York: Oxford University Press, 2014) and Sam Haynes, *Unfinished Revolution: The Early American Republic in a British World* (Charlottesville: University of Virginia Press, 2010.)

[5] Brian Phillips Murphy, *Building the Empire State: Political Economy in the Early Republic* (Philadelphia: University of Pennsylvania Press, 2015), Hannah Farber, *Underwriters of the United States: How Insurance Shaped the American Founding* (Chapel Hill: University of North Carolina Press, 2021, and Richard White, *Railroaded: The Transcontinentals and the Making of Modern America* (New York: W.W. Norton & Company, 2011.)

[6] For more on American Revolution financing see, William Hogeland, *Founding Finance: How Debt, Speculation, Foreclosures, Protests, and Crackdowns Made Us a Nation* (Austin: University of Texas Press, 2012), 72-94 and Robert E. Wright and David Cowen, *Financial Founding Fathers: The Men Who Made America Rich*. Chicago: University of Chicago Press, 2006. For more on Latin American defaults see Leland Hamilton Jenks, *The Migration of British Capital to 1875* (London: Thomas Nelson & Sons Ltd., 1927), 53-60. For more on Baring & Co., see Ralph Hidy, *The House of Baring in American Trade and Finance: English Merchant Bankers at Work, 1763-1861* (Cambridge: Harvard University Press, 1949.); Trevor Jackson, *Impunity and Capitalism: The Afterlives of European Financial Crises, 1690-1830* (New York: Cambridge University Press, 2022.

[7] For general overviews of these Louisiana property banks, see George Green, *Finance and Economic Development in the Old South: Louisiana Banking, 1804-1861* (Stanford: Stanford University Press, 1972) and Larry Schweikart, *Banking in the American South from the Age of Jackson to Reconstruction* (Baton Rouge: Louisiana State University Press, 1987), 11-144.

[8] McGrane, 169-72; Baptist, "Toxic Debt, Liar Loans, Collateralized and Securitized Human Beings, and the Panic of 1837," 82; Wilkins, *Foreign Investment*, 62-63. For a detailed table on state credit see Howard Bodenhorn, *State Banking in Early America: A New Economic History* (New York: Oxford University Press, 2003), 252. The interest in American state debt in European markets drew inspiration from a variety of factors. As laid out by Mira Wilkins, these reasons ranged from the sense of safety in the investments themselves, their high interest rates, excess European capital, ease by which European banks could invest, and faith and kinship ties among other factors. Mira Wilkins, *Foreign Investment*, 55-56.

[9] *Times,* September 28, 1832, 2.

[10] For more on Forstall issues as a CAPL board member, see Irene D. Neu, "Edmond Jean Forstall and Louisiana Banking," *Explorations in Economic History* vol. 7 no. 1-2, 283-98; J.L.& S. Joseph & Co. to N.M. Rothschild and Sons. (June 24, 1835) XI/38/159A Rothschild Archive London (RAL.); E.J. Forstall to Baring Brothers & Co. (July 29, 1830) HC 5.7.6.1 Baring ING Archive (*BA)*; Ward to Baring Bros & Co. (July 27, 1832) HC 5.1.2 Part 4. *BA*. Forthcoming work by John Handel will shed superb light on Edmond Forestall and the power of data to inform design making by the early nineteenth century.

[11] Thomas Greaves Cary, *Letter to a Lady in France on the Supposed Failure of a National Bank, the Supposed Delinquency of the National Government, the Debts of the Several States, and Repudiation; with Answers to Enquiries Concerning the Books of Capt. Marryat and Mr.*

Dickens (Boston: Benjamin H. Greene, 1844), 26. Hope & Co. to Baring & Co., Home Correspondence, November 27, 1838, Baring Archive. Hottinguer & Cie. to Baring Brothers & Co., July 15, 1840, Home Correspondence, Baring Archive. McGrane, *Foreign Bondholders,* 49.
[12] Hope & Co. to Baring Brothers & Co., June 16, 1837, Home Correspondence, (BA). Hottinguer & Cie. to Baring Brothers & Co., June 12, 1837, Home Correspondence, (BA).; Wilkins, *Foreign Investment,* 67 n.150. For an essential read on the Panic of 1837, see Jessica Lepler, *The Many Panics of 1837: People, Panics, and the Creation of a Transatlantic Financial Crisis* (New York: Cambridge University Press, 2013.); Quoted in Richard Gatty, *Portrait of a Merchant Prince: James Morrison, 1789-1857* (Northallerton, UK: Pamela Gatty, 1977), 234.
[13] A Member of the Boston Bar, *An Account of the Origin of the Mississippi Doctrine of Repudiation; with a Review of the Arguments which His Excellency Alexander G. McNutt, Late Governor of Mississippi, Advanced in its Vindication* (Boston: Bradbury, Soden, and Company, 1842), 4. Also quoted in Sexton, *Debtor Diplomacy,* 70; *The Circular to Bankers,* November 8, 1839, 2-3.
[14] McGrane, *Foreign Bondholders,* 176-77.
[15] McGrane, *Foreign Bondholders,* 177-78.
[16] McGrane, *Foreign Bondholders,* 182-83.
[17] McGrane, *Foreign Bondholders,* 183-86.
[18] Nicholas Biddle to Samuel Jaudon, August 31, 1838, Nicholas Biddle Papers, Library of Congress, Washington D.C. I wish to express my sincere thanks to Steve Campbell for providing this copy of the letter to me. McGrane, *Foreign Bondholders,* 193-97.
[19] Augustus Kindermann to Huth & Co., January 19, 1840, Huth & Co Papers. Nathaniel Biddle to Samuel Jaudon, October 2, 1838, Huth & Co. Papers. McGrane, *Foreign Bondholders,* 197-98.
[20] "Mississippi Bonds," *The Weekly Courier-Post,* August 28, 1841, 1; *Mississippian,* Jan 22, 1841. *Columbus Democrat*, February 20, 1841.
[21] Thomas Wren Ward to Baring Bros. April 8, 1841, Baring Papers, Library Archives Canada, Ottawa, Canada (hereafter LAC.) Ward to Bates, May 31, 1841, Baring Papers, LAC; Hope and Co. to Harmanus Bleecker, May 11, 1841 Hope Papers, Stadsarchief Amsterdam, Amsterdam, Netherlands (hereafter SA.)
[22] Quoted in Edward Baptist, *The Half Has Never Been Told: Slavery and the Making of American Capitalism* (New York: Basic Books, 2014), 290-91. Quoted in *Niles Register*, August 21, 1841. *Journal of the Senate of Mississippi* (Jackson, MS: C.M. Price 1841), 17-21. McGrane, *Foreign Bondholders,* 202-03, 207; "Mississippi Bonds," *The Tennessean*, June 22, 1841, 2; Christopher Hughes to A van. Der Hoop, John Hodshon, and Crommelin, July 10, 1843, Baring Papers, LAC; For London banking behemoth Rothschild's, repudiation hit hard. "Let us get rid of that blasted country," noted one member of the family, "it is the most blasted & the most stinking country in the world." The Rothschild's shifted investment strategies as well, as they dumped a third of their holdings in American state stock between 1843 and 1848. Quoted in Niall Ferguson, *House of Rothschild* (2 Vols New York: Penguin Books, 1998) 2: 375. Quoted in Sexton, *Debtor Diplomacy,* 28.
[23] *Vicksburg Tri-Weekly Sentinel,* May 19, 1841, 2.
[24] *Journal of the House of the Commonwealth of Pennsylvania*, (Harrisburg, PA: Elliott & McCurdy, 1840), Vol. 2 pt. 2, 254-60. McGrane, *Foreign Bondholders*, 62-70. For a comprehensive look at the role of the BUS in debt sales abroad see John Joseph Wallis, "What Caused the Crisis of 1839," NBER Historical Paper 133, April 2001; John Joseph Wallis,

Richard Sylla, and Arthur Grinath III, "Sovereign Debt and Repudiation: The Emerging-Market Debt Crisis in the U.S. States, 1839-1843, NBER Working Paper 10753, September 2004, 22-23.
[25] McGrane, *Foreign Bondholders*, 72; *House Journal of Pennsylvania*, 1843, Vol. 2 pt. 2, 4-5.
[26] John Eliot Thayer to Baring Brothers, July 31, 1840, Baring Brothers Papers, LAC**.** For material on the European banks and BUS stock see, Bank of United States Materials, Rothschild & Co. Records, Archives Nationales du Monde du Trevail, Roubaix, France, (hereafter ANMT); Hope & Co., to Baring Brothers, October 24, 1843, House Correspondence, Baring Brothers Archive London (hereafter BAL.) Jenks, *British Migration*, 97. See also *The Circular to Bankers,* September 13, October 18, and December 13, 1839 on the loan arrangement. In an effort to allay concerns of European investors as U.S. state debt mounted, U.S. Secretary of State Daniel Webster traveled to England in the summer of 1839. The *New York Herald* optimistically commented, "There is an impression in Wall Street that the appearance of Daniel Webster in London will have a beneficial effect upon the sale of stocks." Webster's good faith and purported success selling state debt on his own personal account while in London did not convince everyone. The London *Times* noted that just because states had the power to tax, it did not mean the states also had the ability to pay them. *New York Herald,* June 3, 1839. Sexton, *Debtor Diplomacy*, 26-27; George Newbold to Rothschild Bros. London, January 31, 1843, Bank of America Correspondence, XI/38/12, Rothschild Archives London, (hereafter RAL.) In this instance, Newbold sent Missouri bonds bound for Paris via the London house. A letter of introduction from Newbold for a Missouri agent reached the Rothschild's in London as early as May 1839.
[27] McGrane, *Foreign Bondholders*, 21-23, 26; Richard Wilson to John Beadnell, April 26, 1842, Smith, Payne and Smiths, Papers, Natwest Banking Group, Edinburgh, Scotland; Hope and Co. to Baring Brothers., May 23, 1842, Hope and Co. Papers, Stadsarchief, Amsterdam, Netherlands (hereafter SA.)
[28] *National Intelligencer,* September 7, 1840; *New York Herald*, November 15, 1839; *The Evening Post*, February 17, 1842. Also see McGrane, *Foreign Bondholders*, 24-25. For more on the legal side of antebellum bankruptcy, see Rafael Pardo, "Rethinking Antebellum Bankruptcy," *University of Colorado Law Review*, April 2024, forthcoming. My sincere thanks to Rafael Pardo for our discussions we have had to date regarding the Bankruptcy Act of 1841 and its connections to larger bankruptcy discourse during the time period.
[29] Joshua Bates to Daniel Webster, April 15, 1842, Ward Papers, Massachusetts Historical Society, Boston, Massachusetts (hereafter MHS.) Joshua Bates to Thomas Ward, August 1, 1842, Ward Papers, MHS; Jenks, *Migration of British Capital*, 105. Sexton, *Debtor Diplomacy,* 39-40. McGrane, *Foreign Bondholders*, 34. The issues over access to London social clubs continued through 1844, although one newspaper criticized the action and inflated sense of self the clubs held when it stated, "if the London club persists in refusing our citizens admission until the Pennsylvania debt is paid off, it will be seen that one of the great avenues to national nincompoopery is shut up to American progress," *The Times-Picayune*, December 4, 1844, 2.; Hope & Co. to Baring Brothers., February 7, 1843, House Correspondence, BAL.
[30] Quoted in Council of Foreign Bondholders, "The National Aspect of the Debts of the State of Mississippi Repudiated before the Civil War," (London: Council House),1932, 11. By 1843, concerns over the level of American indebtedness in the hands of foreign creditors led to a Congressional investigation of the matter. The publication of a report on foreign debt projected $279 million in total liabilities of which $150 million was held in Europe (of that $279 million, $231 million was determined to be state debt.) Fears over U.S. state debt default even made it

into popular literature of the era. These references include Charles Dickens's iconic *A Christmas Carol* published in the midst of default in December 1843. Most of us know the story of Charles Dickens's *A Christmas Carol*, published in December 1843 and set in nineteenth century London. Ebenezer Scrooge, through the visits of the three ghosts, comes to appreciate the true meaning of Christmas and the value of family, friendship, and love. While this Christmas tale has been adapted to film versions several times over, those who have not read the text itself may not realize the financial reference made by Dickens between Marley's visit and the Ghost of Christmas Past. Prior to the visit of the Ghost of Christmas Past, Scrooge had a dream, a nightmare in fact, in which he had slept through an entire day thereby rendering his investments so worthless to be but a mere "United States security." Charles Dickens, someone who had visited the United States shortly before writing *A Christmas Carol* and well aware of recent defaults by numerous U.S. states, chose his sole reference to the United States in this work to reveal the general sentiment of many investors in the antebellum period. At nearly the same time, Dickens's serial *Martin Chuzzlewit*, in which the protagonist of the work remarks at one point regarding the free spirit of Americans, "from disregarding small obligations they come in regular course to disregard great ones; and so refuse to pay their debts." The fact that Dickens's work also reached beyond banking elites reveals his understanding that his reference would resonate with a larger swath of the British public. Charles Dickens, *A Christmas Carol in Prose, Being a Ghost-Story of Christmas* (London: Chapman & Hall, 1843), 17; Charles Dickens, *Martin Chuzzlewit* (Cambridge, MA: H.G. Houghton and Company, 1868), 178. See also John V. Orth, "Charles Dickens and the Sovereign Debt Crisis," *Green Bag* 16 (2012): 35-41. State debt appeared in other ways as well. In a newspaper article on the unlikelihood of Toryism taking root in Ireland, the author framed this unlikelihood by stating "Russia may renounce Constantinople. Pennsylvania may pay her debts; and impossibilities everywhere become possible," *The Morning Chronicle,* December 13, 1843, 2.

[31] Thomas Wren Ward to Baring Brothers, April 8. 1841, Baring Brothers Papers, LAC. August Belmont echoed similar sentiments in a letter dated October 31, 1843, following a trip to Philadelphia to personally assess the bond situation in the state, August Belmont to Rothschild & CO., October 31, 1843, Belmont Correspondence, XI/62/2A, RAL; August Belmont to Rothschild & Co., September 30, 1843, Belmont Correspondence, XI/62/2A, RAL. Baring also noted that it would need to be a secretive arrangement and the foreign ties could not be exposed. See Baring Brothers to Hope & Co., June 13, 1843, Baring Brothers Letterbook, BAL; Hope & Co. to Baring Brothers, June 28, 1842, Hope & Co. Papers, SA; Thomas Ward to Baring Brothers January 31, 1842, Baring Brothers Papers, LAC.

[32] Thomas Ward to Baring Brothers May 5, 1842 and May 6, 1842, Baring Brothers Papers, LAC. Elihu Chauncey to Thomas Ward May 9, 1842, Baring Brothers Papers, LAC. Baring invested heavily in American debt on their own personal accounts as well as for a wide array of clients on both sides of the Atlantic as well as on the continent. Many of the details of these clients have been lost to time, but others provide invaluable windows into the depths of European investment in state debt. For instance, Parisian bank Hottinguer & Cie. invested heavily via Baring. While these investments often were in quantities of under $10,000 per purchase, other times they were more substantive. For instance, on September 19, 1839, Hottinguer & Cie. purchased $360,000 worth of Pennsylvania state debt through Baring. Baring's annual reports provide some insight into overall state debt investment respective to the entirety of the bank's portfolio. Using the 1842 Annual Report of the bank as an example, it is abundantly clear that

U.S. dividends easily outpaced all other dividends combined from other debt holdings including Russia, Mexico, and localities such as Buenos Aires.

[33] Stanhope to Baring Brothers, July 17, 1843, Hale Family Papers, Library of Congress, Washington D.C. (hereafter LOC,); Baring Brothers to Thomas Wren Ward, July 18, 1843, 1843 Letter Out Books, BAL. Also Hidy, *The House of Baring*, 314. Hale notes that he transmitted reports to Stokes in London, see Nathan Hale to Baring Brothers, February 3, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Baring Brothers, August 29, 1843, Baring Brothers Papers, LAC, also quoted in Hidy, *The House of Baring*, 314. For more on financial honor in the antebellum period see Bruce Mann, *Republic of Debtors: Bankruptcy in the Age of American Independence* (Cambridge: Harvard University Press, 2009), Edward Balleisen, *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America* (Chapel Hill: University of North Carolina Press, 2001), and Scott Sandage, *Born Losers: A History of Failure in America* (Cambridge: Harvard University Press, 2005.)

[34] Joshua Bates to Thomas Ward, Ward Papers, MHS. Baring Brothers to Thomas Ward, July 18, 1843, Home Correspondence, BAL. As early as July 4, 1843 Baring referred to their "Pennsylvania agency" with the Dutch banking house of Hope & Co., Baring Brothers to Hope & Co., July 4, 1843, Letterbook, BAL. According to one letter from Baring, Hope initially turned down an offer to be a part of the agency, see Baring Brothers to Hope, June 13, 1843, Letterbook, BAL. Sexton, *Debtor Diplomacy*, 41-43; August Belmont to Rothschild & Co., October 31, 1843, Belmont Correspondence, XI/62/2A RAL. Hope & Co. wrote by September 1843, regarding Hale and by this point it was clear they were a part of the agency. See Hope & Co. to Baring Brothers, September 5, 1843, Hope & Co. Papers, SA; European actors took on various roles when it came to targeting U.S. state debt default and repudiation. London based American banker George Peabody, for instance, donated £1,000 to the Maryland gubernatorial campaign of Thomas E. Pratt, a Whig who campaigned on full repayment of Maryland's state debt. Peabody had a keen interest in Maryland being one of its largest creditors. There were also pamphlets produced on both sides of the Atlantic to bolster the argument for honoring payments. These lengths on the part of various European banks reveals the depths of their commitment to restoration, and the importance of American debt to their portfolios; "To His Excellency David R. Porter, Governor of the State of Pennsylvania" Memorial, July 12, 1843, Hale Family Papers, LOC. Charles Stokes to Thomas Wren Ward, August 18, 1843, Hale Family Papers, LOC; "Pennsylvania's Power of Payment," *The Guardian*, November 29, 1843, 3.

[35] Quoted in Hidy, *House of Baring*, 314; Thomas Wren Ward to Baring Brothers, November 28, 1843, Baring Brothers Papers, LAC; Thomas Wren Ward to Baring Brothers, December 13 and 14, 1843, Baring Brothers Papers, LAC; Nathan Hale to Charles Stokes, December 11, 1843, Hale Family Papers, LOC. Ward concurred as to Hale's invaluable role in late 1843 and offered $2,000 in annual funds to Hale in addition to covering expenses, Thomas Wren Ward to Nathan Hale, August 4, 1843, Hale Papers, LOC; Nathan Hale to Baring Brothers et al, August 4, 1843, Hale Family Papers, LOC.

[36] Thomas Wren Ward to Nathan Hale, January 10, 1844, Baring Papers, LAC; Nathan Hale to Charles Stokes, December 11, 1843, Hale Papers, LOC.

[37] Thomas Wren Ward to Francis Wayland, January 4, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Grinnell Minturn & Co., January 8, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Nathan Hale, January 10, 1844, Baring Brothers Papers, LAC; William Reed to Thomas Wren Ward, January 8, 1844, Baring Brothers Papers, LAC; Nathan Hale to Charles Stokes, January 1, 1844, Hale Papers, LOC.

[38] Hale to Ward, Jan 20, 1844, Baring Brothers Papers, LAC; While words attributed to Hale, it was Thomas Wren Ward who references this phrase of "mercenary views" in a letter to London. See, Thomas Wren Ward to Baring, Jan 26, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Baring Brothers, Jan 30, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Reed, January 29, 1844, Baring Brothers Papers, LAC; Hale's Report on Pennsylvania state finances, January 30, 1844, Baring Brothers Papers, LAC; Hale to Thomas Wren Ward, January 21, 1844, Baring Brothers Papers, LAC; *Journal of the 54th House of Representatives of the Commonwealth of Pennsylvania* Vol 1. (Harrisburg, PA: Isaac G. McKinley, 1844,) 180-82.
[39] Thomas Wren Ward to Baring Brothers, January 19, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Baring Brothers, Jan 22, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Hale, January 26, 1844, Baring Brothers Papers, LAC; Reed to Thomas Wren Ward, January 29, 1844, Baring Brothers Papers, LAC. The increase in cost stemmed partly from the fact that costs for the agents increased. Both Reed and Chauncey saw their stipends increased to $1,000 and Hale received an additional $1,000 to bring him to a total of $3,000. The Committee on State Debts confirmed an additional payment of $1,000 in July 1844. See Charles Stokes to Hale, July 29, 1844, Hale Family Papers, LOC.
[40] "The Debts of the States," *New York Herald*, January 10, 1844; "Pennsylvania Dishonesty and Pennsylvania Impudence," *New York Daily Herald,* January 6, 1844; *The Evening Post,* January 15, 1844; Thomas Wren Ward to Peret, January 13, 1844, Baring Brothers Papers, LAC; Thomas Wren Ward to Baring Brothers, January 8, 1844, Baring Papers, LAC. Hope & Co., to Baring Brothers, July 8, 1842, Home Correspondence, BAL; McGrane, *Foreign Bondholders*, 72- 79. Hope acknowledged an "American Circular" in Hope & Co., to Baring Brothers, August 22, 1843, House Correspondence, BAL; Hope & Co., to Baring Brothers, October 24, 1843, Home Correspondence, BAL; Hope & Co., to Baring Brothers, November 21, 1843, Home Correspondence, BAL. Hope & Co. to Baring Brothers, December 19, 1843, Hope & Co. Papers, SA; Although Hale received compensation, some reports indicate he was reticent to publicly admit it. In one anonymous piece, the author indicated a meeting on January 1, 1844, in Pemberton Square, Boston. The author noted that Hale was not receiving compensation (according to a clerk of Thomas Ward) and even Thomas Ward confirmed to the author that this undertaking to get Pennsylvania right was not being done at the behest of Baring Brothers. Such a declaration, if true, is certainly surprising and far-fetched given Ward's public and long-established relationship with the British banking firm, "Memorandum of Some Matters with the Resumption of the Payment of Interest on their Public Debts by States that had been Delinquent," Hale Family Papers, LOC.
[41] *Journal of the House of the Commonwealth of Pennsylvania*, January 9, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 44, 47-48 and January 10, 1844, 44, 52. *Journal of the House of the Commonwealth of Pennsylvania*, January 29, 1844 (Harrisburg: Isaac G. M'Kinley, 1844),171; *Journal of the House of the Commonwealth of Pennsylvania*, January 13 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 57; *Journal of the House of the Commonwealth of Pennsylvania*, January 17, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 44, 100; *Journal of the House of the Commonwealth of Pennsylvania*, February 26, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 354; *Journal of the House of the Commonwealth of Pennsylvania,* March 14, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 490; *Journal of the House of the Commonwealth of Pennsylvania*, February 14, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 276; *Journal of the House of the Commonwealth of Pennsylvania*, January 30, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 182; *Journal of the House of the Commonwealth of Pennsylvania*, April 25, 1844 (Harrisburg: Isaac

G. M'Kinley, 1844), 901; *Journal of the House of the Commonwealth of Pennsylvania*, April 29, 1844 (Harrisburg: Isaac G. M'Kinley, 1844), 964. Hidy, *House of Baring*, 319-21.

[42] Wilkins, *History of Foreign Investment,* 76-77; Michael Brem Bonner, *Confederate Political Economy: Creating and Managing a Southern Corporatist Nation* (Baton Rouge: Louisiana State University Press, 2016) and John Majewski, *Modernizing a Slave Economy: The Economic Vision of the Confederate Nation* (Chapel Hill: University of North Carolina Pres, 2014.)